

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name		County
Fiscal Year End	Opinion Date		Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES  
NO

**Check each applicable box below.** (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature <i>Hennrich A. Berthiaume</i>	Printed Name		License Number	

# **CITY OF LUDINGTON**

Mason County, Michigan

## **FINANCIAL STATEMENTS**

December 31, 2006

# CITY OF LUDINGTON

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BERTHIAUME  
& COMPANY

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## INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of City Council  
City of Ludington, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Ludington as of and for the year ended December 31, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Ludington's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Ludington, as of December 31, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, schedule of pension plan funding progress and budgetary comparison schedules, are not a required part of the basic financial statements, but are supplemental information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Ludington's basic financial statements. The accompanying other supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Berthiaume & Co.*

March 21, 2007

## ***MANAGEMENT'S DISCUSSION AND ANALYSIS***

# CITY OF LUDINGTON

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2006

### Overview of the Financial Statements:

The City of Ludington's discussion and analysis is a narrative overview of the City's financial activities for the fiscal year ended December 31, 2006. The information presented here should be read in conjunction with the financial statements and the notes to the financial statements that follow.

### Government-wide Financial Statements:

The government-wide financial statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide financial statements report the City's net assets and how they have changed. Net assets – the difference between the City's assets and liabilities – are one way to measure the City's financial health.

The government-wide financial statements of the City are divided into three categories:

**Governmental Activities** – Most of the City's basic services are included here, such as the public safety, public works, and recreation departments, and general administration. Property taxes, State-shared revenue, charges for services, grants, and transfers provide much of the funding.

**Business-type Activities** – The City charges fees to customers to help it cover the costs of certain services it provides. The City's sewer and water systems and marina are included here.

**Component Unit** – The City includes the Downtown Development Authority in its report.

### Fund Financial Statements:

The fund financial statements provide more detailed information about the City's most significant funds – not the City as a whole. Funds are accounting tools that the City uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by State law and bond covenants. The City Council establishes other funds to control and manage money for particular purposes.

The City has three kinds of funds:

**Governmental Funds** – Most of the City's basic services are included in governmental funds, which focus on how cash and other financial assets that can be converted to cash flow in and out, and the balance left at year end that is available for spending. The governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

**Proprietary Funds** – Services to which the City charges customers a fee are generally reported in proprietary funds. Proprietary fund statements, like government-wide statements, provide both short- and long-term financial information.

**Fiduciary Funds** – The City is responsible for ensuring that the assets in these funds are used for their intended purposes. We exclude these activities from the government-wide financial statements because the City cannot use these assets to finance its operations.

# CITY OF LUDINGTON

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2006

### Financial Highlights:

- Assets of the City exceeded its liabilities at the end of the fiscal year by \$27,879,460 (net assets), an increase of \$939,191 from the previous year. Of the \$27.9 million reported in net assets, approximately \$8.6 million may be used to meet the ongoing obligations to citizens and creditors (unrestricted net assets).
- Net assets of our governmental activities increased \$494,927, or 6.1 percent, while net assets of our business-type activities increased \$444,264, or 2.4 percent.
- Unrestricted net assets for governmental activities are 57.1 percent of expenses. Unrestricted net assets for business-type activities exceed expenses.
- The General Fund reported revenues in excess of expenditures of \$517,852 and other financing uses of \$380,679 with a net change in fund balance of \$137,173 for the year. This resulted in a year end fund balance of \$1,683,544. Of this amount, \$1,580,585 is unreserved and undesignated, or 36.3 percent of General Fund expenditures.

### The City as a Whole:

The City's combined net assets are \$27.9 million at December 31, 2006. Business-type activities make up \$19.4 million and governmental activities make up \$8.5 million of the total. A comparative condensed statement of net assets and condensed statement of activities is a part of the management's discussion and analysis and shown below.

### City of Ludington – Net Assets:

As noted earlier, the City's assets exceed its liabilities at the end of the fiscal year by \$27.9 million (net assets). However, a major portion (63.8 percent) of the City's net assets represents its investment in capital assets (e.g., land, infrastructure, buildings, and equipment) less any related debt used to acquire or construct these assets. The City uses these assets to provide services to its citizens; thus, these assets are not available for spending.

Unrestricted net assets of the City were \$8.6 million at the end of this year. This amount represents the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements.

# CITY OF LUDINGTON

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2006

Furthermore, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

The following table depicts a condensed statement of net assets at December 31, 2006 and 2005:

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>	
	<i>2006</i>	<i>2005</i>	<i>2006</i>	<i>2005</i>	<i>2006</i>	<i>2005</i>
<b>Assets:</b>						
Current assets	\$ 7,694,527	\$ 7,423,382	\$ 6,082,040	\$ 6,038,772	\$13,776,567	\$13,462,154
Capital assets	<u>6,990,495</u>	<u>6,734,630</u>	<u>13,699,322</u>	<u>13,457,407</u>	<u>20,689,817</u>	<u>20,192,037</u>
Total assets	<u>14,685,022</u>	<u>14,158,012</u>	<u>19,781,362</u>	<u>19,496,179</u>	<u>34,466,384</u>	<u>33,654,191</u>
<b>Liabilities:</b>						
Other liabilities	3,448,620	3,336,246	111,066	99,309	3,559,686	3,435,555
Long-term liabilities	<u>2,738,939</u>	<u>2,819,230</u>	<u>288,299</u>	<u>459,137</u>	<u>3,027,238</u>	<u>3,278,367</u>
Total liabilities	<u>6,187,559</u>	<u>6,155,476</u>	<u>399,365</u>	<u>558,446</u>	<u>6,586,924</u>	<u>6,713,922</u>
<b>Net assets:</b>						
Invested in capital assets, net of related debt	4,332,410	3,994,630	13,444,322	13,037,407	17,776,732	17,032,037
Restricted	666,438	577,408	856,017	1,018,267	1,522,455	1,595,675
Unrestricted	<u>3,498,615</u>	<u>3,430,498</u>	<u>5,081,658</u>	<u>4,882,059</u>	<u>8,580,273</u>	<u>8,312,557</u>
Total net assets	<u>\$ 8,497,463</u>	<u>\$ 8,002,536</u>	<u>\$19,381,997</u>	<u>\$18,937,733</u>	<u>\$27,879,460</u>	<u>\$26,940,269</u>



# CITY OF LUDINGTON

## MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2006

The following table shows the changes in net assets for 2006 and 2005:

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>	
	<i>2006</i>	<i>2005</i>	<i>2006</i>	<i>2005</i>	<i>2006</i>	<i>2005</i>
<b>Revenues:</b>						
Program revenues						
Charges for services	\$ 580,731	\$ 728,675	\$ 3,321,297	\$ 3,257,660	\$ 3,902,028	\$ 3,986,335
Operating grants	916,264	1,220,922	19,331	-	935,595	1,220,922
Capital grants	275,068	513,031	115,507	191,930	390,575	704,961
General revenues						
Property taxes	3,234,976	3,117,535	-	-	3,234,976	3,117,535
Franchise taxes	44,847	40,306	-	-	44,847	40,306
State revenue sharing	823,580	838,148	-	-	823,580	838,148
Investment earnings	213,228	131,118	240,484	133,539	453,712	264,657
Total revenues	<u>6,088,694</u>	<u>6,589,735</u>	<u>3,696,619</u>	<u>3,583,129</u>	<u>9,785,313</u>	<u>10,172,864</u>
<b>Expenses:</b>						
General government	1,231,053	1,279,057	-	-	1,231,053	1,279,057
Public safety	1,492,349	1,451,475	-	-	1,492,349	1,451,475
Public works	1,906,778	2,482,734	-	-	1,906,778	2,482,734
Health and welfare	128,758	145,618	-	-	128,758	145,618
Community and economic development	187,742	731,826	-	-	187,742	731,826
Recreation and culture	517,236	493,911	-	-	517,236	493,911
Interest on long-term debt	131,846	128,547	-	-	131,846	128,547
Sewer	-	-	1,087,637	1,093,564	1,087,637	1,093,564
Water	-	-	1,357,167	1,256,336	1,357,167	1,256,336
Marina	-	-	807,551	734,553	807,551	734,553
Total expenses	<u>5,595,762</u>	<u>6,713,168</u>	<u>3,252,355</u>	<u>3,084,453</u>	<u>8,848,117</u>	<u>9,797,621</u>
Excess of revenues over expenses before other	<u>492,932</u>	<u>(123,433)</u>	<u>444,264</u>	<u>498,676</u>	<u>937,196</u>	<u>375,243</u>
<b>Other items:</b>						
Contributions to principal	1,995	4,310	-	-	1,995	4,310
Gain on sale of capital assets	-	53,765	-	-	-	53,765
Total other items	<u>1,995</u>	<u>58,075</u>	<u>-</u>	<u>-</u>	<u>1,995</u>	<u>58,075</u>
<b>Change in net assets</b>	<u>494,927</u>	<u>(65,358)</u>	<u>444,264</u>	<u>498,676</u>	<u>939,191</u>	<u>433,318</u>
Net assets, beginning of year, restated	<u>8,002,536</u>	<u>8,067,894</u>	<u>18,937,733</u>	<u>18,439,057</u>	<u>26,940,269</u>	<u>26,506,951</u>
Net assets, end of year	<u>\$ 8,497,463</u>	<u>\$ 8,002,536</u>	<u>\$ 19,381,997</u>	<u>\$ 18,937,733</u>	<u>\$ 27,879,460</u>	<u>\$ 26,940,269</u>

# CITY OF LUDINGTON

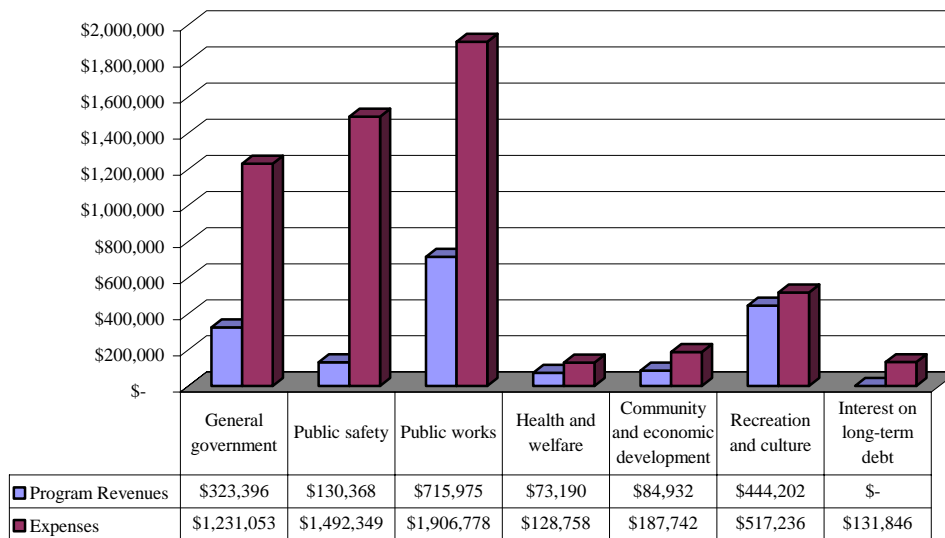
## MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2006

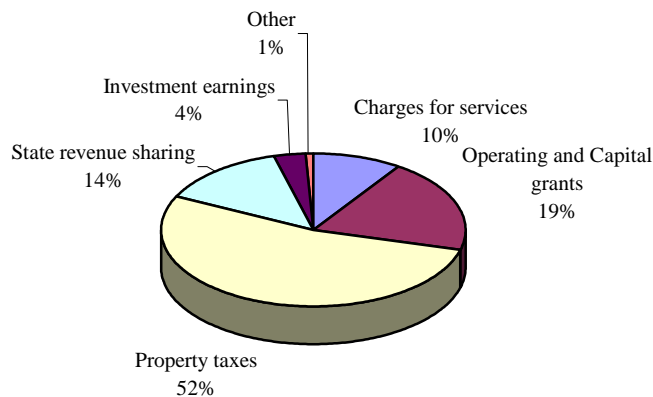
### Governmental Activities:

For the year ended December 31, 2006, revenues for the City's governmental activities totaled \$6.1 million. Property taxes accounted for 52 percent of the total revenues, or \$3.2 million. State-shared revenues were 14 percent, or \$823 thousand; these revenues continue to be a concern as to future funding levels.

**Governmental Activities  
Program Revenues and Expenses**



**Governmental Activities  
Revenues by Source**



# CITY OF LUDINGTON

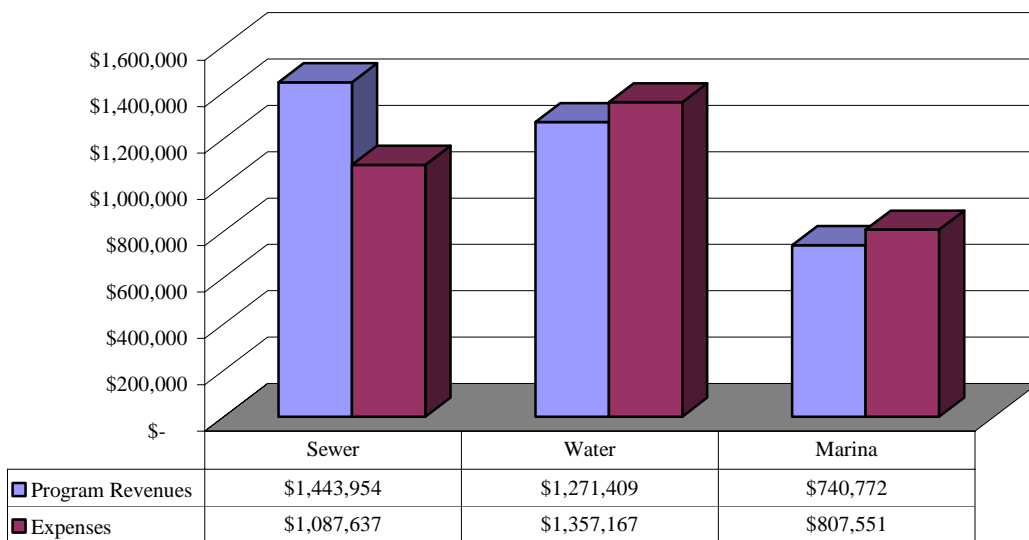
## MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2006

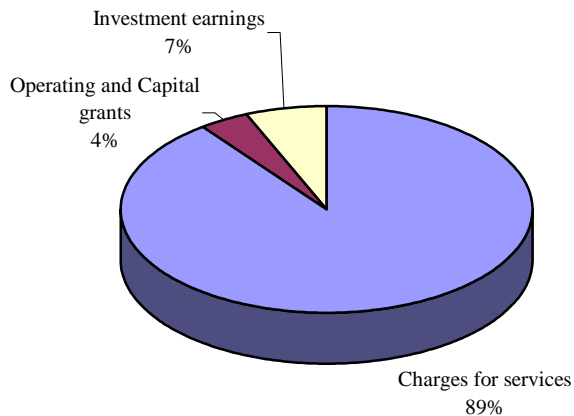
### Business-type Activities:

For the year ended December 31, 2006, revenues for business-type activities were \$3.7 million. Charges for services were 89 percent of gross revenues, or \$3.3 million. Contributions for repairs and capital improvements were 4 percent of gross revenues, or \$134 thousand and interest income on investments was 7 percent of gross revenues, or \$240 thousand.

**Business-type Activities  
Program Revenues and Expenses**



**Business-type Activities  
Revenues by Source**



# CITY OF LUDINGTON

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2006

The City has three business type-activities: the sewer and water systems and marina. In total, these three activities generated \$3,456,135 in program revenues, and incurred \$3,252,355 in expenses. In addition, general revenues for business-type activities were \$240,484. The City's business-type activities experienced an increase in net assets of \$444,264 for the year.

### **Capital Assets and Debt Administration:**

At the end of 2006, the City has \$33,008,412 invested, before depreciation, in a wide range of capital assets, including land, land improvements, buildings and improvements, equipment, sewer and water lines, and marina. In addition, the City is reporting infrastructure assets if any were acquired since January 1, 2004. Infrastructure assets include roads, bridges, sidewalks, storm drains, and other immovable assets. The value of the infrastructure assets, net of depreciation, contained in this report is \$480,367 at December 31, 2006.

Debt of \$2,658,085 related to the construction and acquisition of the above-mentioned capital assets is reported as a liability in the governmental activities in the statement of net assets.

Debt related to the sewer and water systems totaling \$255,000 is recorded as a liability in the business-type activities in the statement of net assets.

### **The City's Funds:**

The fund financial statements begin on page 14 and provide detailed information on the most significant governmental funds – not the City as a whole. The City Council creates funds to help manage money for special purposes, as well as to show accountability for certain activities, such as special property tax millages. The City's major governmental funds for 2006 include the General Fund.

The City's governmental funds reported combined fund balance of \$2,795,504 for this year, an increase of \$309,915 from last year. Included in this increase is the General Fund's net change in fund balance of \$137,173, which consists of an excess of revenues over expenditures of \$517,852, plus contract financing of \$38,085, less net transfers to other funds of \$418,676.

### **General Fund Budgetary Highlights:**

Differences between the original and final amended budgets for revenues and expenditures were relatively minor, except:

- Interest earned on investments was higher than anticipated by \$67,200.
- The City received approximately \$39,000 in donated equipment (revenues and expenditures).
- The City received contract financing of approximately \$38,000 to purchase new accounting software (revenues and expenditures).

## MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2006

### **Economic Factors:**

The City continues to maintain positive fund balances in each of its funds. However, concerns arise when considering the revenues and expenses that the City is facing in upcoming years. The major sources of revenue for the City are property taxes, State-shared revenues, and charges for services. These sources have certain limitations outside of the City's control – taxable value of property in the City has remained flat, resulting in small increases in property taxes; the State of Michigan has experienced budget deficits and has reduced revenue-sharing payments to local governments to help in reducing their deficit; and the economy has restricted the City in what it can charge its customers. In comparison, certain expenses continue to rise at a rate higher than inflation, such as health insurance, utility costs, and gasoline expenses.

We are continuing to plan for the long term, and will continue to balance the budgets through controls over spending, while striving to provide the City's residents with the same level of service to which they have become accustomed.

### **Contacting the City's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact John E. Shay, City Manager, 400 S. Harrison Street, Ludington, Michigan 49431.

## ***BASIC FINANCIAL STATEMENTS***

# CITY OF LUDINGTON

## STATEMENT OF NET ASSETS

December 31, 2006

	<i>Primary Government</i>			<i>Component Unit</i>
	<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Total</i>	
<b>Assets:</b>				
Cash and investments	\$ 3,592,476	\$ 4,154,325	\$ 7,746,801	\$ 34,337
Receivables	3,662,057	791,851	4,453,908	29,741
Inventory	135,773	210,267	346,040	-
Prepaid expenses	131,761	69,580	201,341	-
Restricted cash and investments	-	856,017	856,017	-
Capital assets:				
Nondepreciable capital assets	163,580	867,055	1,030,635	-
Depreciable capital assets, net	6,826,915	12,832,267	19,659,182	-
Deferred charges	172,460	-	172,460	-
Total assets	<u>14,685,022</u>	<u>19,781,362</u>	<u>34,466,384</u>	<u>64,078</u>
<b>Liabilities:</b>				
Accounts payable and accrued expenses	86,827	18,350	105,177	-
Deferred revenue	3,361,793	92,716	3,454,509	29,510
Long-term liabilities:				
Due within one year	149,042	80,000	229,042	-
Due in more than one year	<u>2,589,897</u>	<u>208,299</u>	<u>2,798,196</u>	<u>-</u>
Total liabilities	<u>6,187,559</u>	<u>399,365</u>	<u>6,586,924</u>	<u>29,510</u>
<b>Net assets:</b>				
Invested in capital assets, net of related debt	4,332,410	13,444,322	17,776,732	-
Restricted for:				
Debt service	79	100,000	100,079	-
Streets	423,670	-	423,670	-
Nonexpendable cemetery principal	242,689	-	242,689	-
Equipment replacement	-	756,017	756,017	-
Unrestricted	<u>3,498,615</u>	<u>5,081,658</u>	<u>8,580,273</u>	<u>34,568</u>
Total net assets	<u>\$ 8,497,463</u>	<u>\$ 19,381,997</u>	<u>\$ 27,879,460</u>	<u>\$ 34,568</u>

*The accompanying notes are an integral part of these financial statements.*

# CITY OF LUDINGTON

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## STATEMENT OF ACTIVITIES

Year Ended December 31, 2006

		<i>Program Revenues</i>			<i>Net (Expense) Revenue</i>
		<i>Charges for Services</i>	<i>Operating Grants and Contributions</i>	<i>Capital Grants and Contributions</i>	
<b>Functions/Programs</b>	<u><i>Expenses</i></u>				
<b>PRIMARY GOVERNMENT:</b>					
<i>Governmental activities:</i>					
General government	\$1,231,053	\$ 262,342	\$ 18,796	\$ 42,258	\$ (907,657)
Public safety	1,492,349	107,334	23,034	-	(1,361,981)
Public works	1,906,778	65,869	650,106	-	(1,190,803)
Health and welfare	128,758	3,228	69,962	-	(55,568)
Community and economic development	187,742	1,371	83,561	-	(102,810)
Recreation and culture	517,236	140,587	70,805	232,810	(73,034)
Interest on long-term debt	<u>131,846</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(131,846)</u>
Total governmental activities	<u>5,595,762</u>	<u>580,731</u>	<u>916,264</u>	<u>275,068</u>	<u>(3,823,699)</u>
<i>Business-type activities:</i>					
Sewer	1,087,637	1,328,447	-	115,507	356,317
Water	1,357,167	1,271,409	-	-	(85,758)
Marina	<u>807,551</u>	<u>721,441</u>	<u>19,331</u>	<u>-</u>	<u>(66,779)</u>
Total business-type activities	<u>3,252,355</u>	<u>3,321,297</u>	<u>19,331</u>	<u>115,507</u>	<u>203,780</u>
Total primary government	<u>\$8,848,117</u>	<u>\$ 3,902,028</u>	<u>\$ 935,595</u>	<u>\$ 390,575</u>	<u>\$(3,619,919)</u>
<b>COMPONENT UNIT:</b>					
Downtown development authority	<u>\$ 32,246</u>	<u>\$ -</u>	<u>\$ 7,168</u>	<u>\$ -</u>	<u>\$ (25,078)</u>

*The accompanying notes are an integral part of these financial statements.*



	<i>Primary Government</i>			
	<i>Governmental</i>	<i>Business-</i>		<i>Component</i>
	<i>Activities</i>	<i>type</i>	<i>Total</i>	<i>Unit</i>
		<i>Activities</i>		
<i>Changes in net assets:</i>				
Net (Expense) Revenue	\$ (3,823,699)	\$ 203,780	\$ (3,619,919)	\$ (25,078)
General revenues:				
Taxes:				
Property taxes, levied for general purpose	3,224,663	-	3,224,663	-
Property taxes, captured by DDA	-	-	-	26,477
Payment in lieu of taxes	10,313	-	10,313	-
Franchise taxes	44,847	-	44,847	-
Grants and contributions not restricted to specific programs	823,580	-	823,580	-
Unrestricted investment earnings	213,228	240,484	453,712	1,860
Contributions to principal of permanent funds	1,995	-	1,995	-
Total general revenues and contributions	4,318,626	240,484	4,559,110	28,337
Change in net assets	494,927	444,264	939,191	3,259
Net assets, beginning of year, restated	8,002,536	18,937,733	26,940,269	31,309
Net assets, end of year	\$ 8,497,463	\$ 19,381,997	\$ 27,879,460	\$ 34,568

# CITY OF LUDINGTON

## GOVERNMENTAL FUNDS

### BALANCE SHEET

December 31, 2006

	<i>General Fund</i>	<i>Nonmajor Governmental Funds</i>	<i>Total Governmental Funds</i>
<b>Assets:</b>			
Cash and investments	\$ 1,454,547	\$ 992,209	\$ 2,446,756
Taxes receivable	3,287,835	-	3,287,835
Accounts receivable	59,463	2,362	61,825
Special assessments receivable	4,853	-	4,853
Notes receivable	-	17,965	17,965
Accrued interest receivable	19,599	9,898	29,497
Due from other governmental units	140,555	104,989	245,544
Inventory	9,563	45,050	54,613
Prepaid expenditures	93,396	6,963	100,359
Total assets	<u>\$ 5,069,811</u>	<u>\$ 1,179,436</u>	<u>\$ 6,249,247</u>
<b>Liabilities and Fund Balances:</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 5,144	\$ 19,812	\$ 24,956
Accrued expenses	11,158	-	11,158
Due to other governmental units	3,119	-	3,119
Deposits payable	200	-	200
Deferred revenue	3,366,646	47,664	3,414,310
Total liabilities	<u>3,386,267</u>	<u>67,476</u>	<u>3,453,743</u>
<b>Fund balances:</b>			
Reserved for:			
Inventory	9,563	45,050	54,613
Prepaid expenditures	93,396	6,963	100,359
Debt service	-	79	79
Capital projects	-	224,042	224,042
Nonexpendable cemetery principal	-	242,689	242,689
Unreserved:			
General fund	1,580,585	-	1,580,585
Special revenue funds	-	593,137	593,137
Total fund balances	<u>1,683,544</u>	<u>1,111,960</u>	<u>2,795,504</u>
Total liabilities and fund balances	<u>\$ 5,069,811</u>	<u>\$ 1,179,436</u>	<u>\$ 6,249,247</u>

The accompanying notes are an integral part of these financial statements.

# CITY OF LUDINGTON

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## RECONCILIATION OF FUND BALANCES OF THE GOVERNMENTAL FUNDS TO NET ASSETS OF GOVERNMENTAL ACTIVITIES

December 31, 2006

<b>Total fund balances for governmental funds</b>		<b>\$ 2,795,504</b>
Total net assets reported for governmental activities in the statement of of net assets is different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Governmental capital assets	4,798,903	
Less accumulated depreciation	<u>(1,101,797)</u>	3,697,106
Bond issuance costs are recorded as expenditures in the governmental funds but are deferred in the statement of net assets and amortized over the life of the bond.		
		172,460
Interest payable in the governmental activities are not payable from current resources and therefore are not reported in the governmental funds.		
		(44,817)
Deferred revenues reported in the governmental funds are recognized as revenues for the governmental activities.		
Grants	29,699	
Notes	17,965	
Special assessments	<u>4,853</u>	52,517
Long-term liabilities are not due and payable in the current year and therefore are not reported in the governmental funds:		
Bonds payable	(2,620,000)	
Contract financing	(38,085)	
Compensated absences payable	<u>(74,386)</u>	(2,732,471)
The assets and liabilities of internal service funds are included in governmental activities in the statement of net assets.		
		<u>4,557,164</u>
<b>Net assets of governmental activities</b>		<b><u>\$ 8,497,463</u></b>

*The accompanying notes are an integral part of these financial statements.*

# CITY OF LUDINGTON

## GOVERNMENTAL FUNDS

### STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended December 31, 2006

	<i>General Fund</i>	<i>Nonmajor Governmental Funds</i>	<i>Total Governmental Funds</i>
<b>Revenues:</b>			
Property taxes	\$ 3,234,976	\$ -	\$ 3,234,976
Licenses and permits	68,324	-	68,324
Federal grants	10,402	14,216	24,618
State grants	874,904	895,629	1,770,533
Contributions from other units	28,796	102,869	131,665
Charges for services	394,516	46,607	441,123
Fines and forfeits	38,938	-	38,938
Interest and rents	128,231	35,566	163,797
Other revenue	93,292	83,512	176,804
Total revenues	<u>4,872,379</u>	<u>1,178,399</u>	<u>6,050,778</u>
<b>Expenditures:</b>			
Current			
General government	1,185,015	-	1,185,015
Public safety	1,452,621	3,740	1,456,361
Public works	1,088,635	579,862	1,668,497
Health and welfare	-	124,140	124,140
Community and economic development	78,563	108,186	186,749
Recreation and culture	366,758	131,974	498,732
Other	58,184	-	58,184
Capital outlay	124,751	242,943	367,694
Debt service			
Principal	-	120,000	120,000
Interest and fees	-	113,576	113,576
Total expenditures	<u>4,354,527</u>	<u>1,424,421</u>	<u>5,778,948</u>
Excess (deficiency) of revenues over expenditures	<u>517,852</u>	<u>(246,022)</u>	<u>271,830</u>
<b>Other financing sources (uses):</b>			
Contract financing	38,085	-	38,085
Transfers in from other funds	10,647	543,911	554,558
Transfers out to other funds	(429,411)	(125,147)	(554,558)
Total other financing sources (uses)	<u>(380,679)</u>	<u>418,764</u>	<u>38,085</u>
Net change in fund balances	137,173	172,742	309,915
Fund balances, beginning of year, restated	<u>1,546,371</u>	<u>939,218</u>	<u>2,485,589</u>
Fund balances, end of year	<u>\$ 1,683,544</u>	<u>\$ 1,111,960</u>	<u>\$ 2,795,504</u>

The accompanying notes are an integral part of these financial statements.

# CITY OF LUDINGTON

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## RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended December 31, 2006

**Net change in fund balances - total governmental funds** \$ 309,915

Total change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives and reported as depreciation expense.

Capital outlay	367,128	
Less depreciation expense	<u>(157,499)</u>	209,629

Collection of certain items recorded as deferred revenue are considered current financial resources in the governmental funds. In the statement of activities, these items have been recorded as revenue.

Grants	29,699	
Notes	(1,948)	
Special assessments	<u>(1,704)</u>	26,047

Bond issuance costs are recorded as expenditures in the governmental funds but are deferred in the statement of net assets and amortized over the life of the bond. (18,801)

Proceeds from contract financing are revenue in the governmental funds, but the proceeds increase long-term liabilities in the statement of net assets. (38,085)

Repayments of principal on long-term obligations are expenditures in governmental funds but the payments reduce long-term liabilities in the statement of net assets. 120,000

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Change in compensated absences payable	508	
Change in accrued interest on bonds	<u>531</u>	1,039

The net revenue (expense) of the internal service fund is reported with governmental activities. (114,817)

**Change in net assets of governmental activities** \$ 494,927

*The accompanying notes are an integral part of these financial statements.*

# CITY OF LUDINGTON

*PROPRIETARY FUNDS*  
**STATEMENT OF NET ASSETS**  
December 31, 2006

	<i>Business-type Activities</i>				<i>Governmental Activities</i>
	<i>Sewer Fund</i>	<i>Water Fund</i>	<i>Marina Fund</i>	<i>Total Enterprise Funds</i>	<i>Internal Service Fund - Motor Pool Fund</i>
<b>Assets:</b>					
<b><i>Current assets:</i></b>					
Cash and investments	\$ 827,624	\$ 2,271,591	\$ 1,055,110	\$ 4,154,325	\$ 1,145,720
Accounts receivable	308,610	305,034	-	613,644	-
Accrued interest receivable	14,827	34,486	13,387	62,700	14,538
Due from other governmental units	115,507	-	-	115,507	-
Inventory	62,632	123,980	23,655	210,267	81,160
Prepaid expenses	28,321	30,855	10,404	69,580	31,402
Total current assets	<u>1,357,521</u>	<u>2,765,946</u>	<u>1,102,556</u>	<u>5,226,023</u>	<u>1,272,820</u>
<b><i>Noncurrent assets:</i></b>					
Restricted cash and investments	367,004	489,013	-	856,017	-
Capital assets:					
Nondepreciable capital assets	72,415	3,247	791,393	867,055	4,250
Depreciable capital assets, net	<u>6,415,395</u>	<u>5,144,610</u>	<u>1,272,262</u>	<u>12,832,267</u>	<u>3,289,139</u>
Total noncurrent assets	<u>6,854,814</u>	<u>5,636,870</u>	<u>2,063,655</u>	<u>14,555,339</u>	<u>3,293,389</u>
Total assets	<u>8,212,335</u>	<u>8,402,816</u>	<u>3,166,211</u>	<u>19,781,362</u>	<u>4,566,209</u>
<b>Liabilities:</b>					
<b><i>Current liabilities:</i></b>					
Accounts payable	531	12,941	(7)	13,465	2,577
Due to other governmental units	-	235	-	235	-
Deposits payable	-	4,650	-	4,650	-
Deferred revenue	-	-	92,716	92,716	-
Current portion of long-term debt	<u>-</u>	<u>80,000</u>	<u>-</u>	<u>80,000</u>	<u>-</u>
Total current liabilities	<u>531</u>	<u>97,826</u>	<u>92,709</u>	<u>191,066</u>	<u>2,577</u>
<b><i>Noncurrent liabilities:</i></b>					
Compensated absences payable	12,321	18,866	2,112	33,299	6,468
Long-term debt	<u>-</u>	<u>175,000</u>	<u>-</u>	<u>175,000</u>	<u>-</u>
Total noncurrent liabilities	<u>12,321</u>	<u>193,866</u>	<u>2,112</u>	<u>208,299</u>	<u>6,468</u>
Total liabilities	<u>12,852</u>	<u>291,692</u>	<u>94,821</u>	<u>399,365</u>	<u>9,045</u>

continued

*The accompanying notes are an integral part of these financial statements.*

# CITY OF LUDINGTON

## PROPRIETARY FUNDS

### STATEMENT OF NET ASSETS, CONTINUED

December 31, 2006

	<i>Business-type Activities</i>				<i>Governmental Activities</i>
	<i>Sewer Fund</i>	<i>Water Fund</i>	<i>Marina Fund</i>	<i>Total Enterprise Funds</i>	<i>Internal Service Fund - Motor Pool Fund</i>
<b>Net assets:</b>					
Invested in capital assets, net of related debt	6,487,810	4,892,857	2,063,655	13,444,322	3,293,389
Restricted for:					
Debt service	-	100,000	-	100,000	-
Equipment replacement	367,004	389,013	-	756,017	-
Unrestricted	<u>1,344,669</u>	<u>2,729,254</u>	<u>1,007,735</u>	<u>5,081,658</u>	<u>1,263,775</u>
Total net assets	<u>\$ 8,199,483</u>	<u>\$ 8,111,124</u>	<u>\$ 3,071,390</u>	<u>\$ 19,381,997</u>	<u>\$ 4,557,164</u>

The accompanying notes are an integral part of these financial statements.

# CITY OF LUDINGTON

## PROPRIETARY FUNDS

### STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

Year Ended December 31, 2006

	<i>Business-type Activities</i>				<i>Governmental Activities</i>
	<i>Sewer Fund</i>	<i>Water Fund</i>	<i>Marina Fund</i>	<i>Total Enterprise Funds</i>	<i>Internal Service Fund - Motor Pool Fund</i>
<b>Operating revenues:</b>					
Charges for services	\$ 1,326,347	\$ 1,234,128	\$ 721,441	\$ 3,281,916	\$ -
Equipment rental	-	-	-	-	606,288
Other	2,100	5,101	-	7,201	114,976
Total operating revenues	<u>1,328,447</u>	<u>1,239,229</u>	<u>721,441</u>	<u>3,289,117</u>	<u>721,264</u>
<b>Operating expenses:</b>					
Personnel	283,989	467,948	109,841	861,778	131,433
Fringe benefits	138,835	226,294	40,720	405,849	61,435
Supplies	88,667	62,666	358,626	509,959	198,224
Contracted services	63,074	51,684	76,244	191,002	9,869
Administrative expense	65,300	65,300	38,700	169,300	48,900
Telephone	4,073	7,121	3,424	14,618	2,128
Mileage	458	52	500	1,010	310
Dues, licenses and permits	250	180	265	695	-
Education and training	2,073	1,434	-	3,507	367
Printing and publishing	-	-	242	242	-
Insurance	43,597	43,597	12,110	99,304	84,771
Utilities	150,061	101,008	28,269	279,338	39,269
Repairs and maintenance	42,066	54,496	19,233	115,795	85,372
Equipment rental	35,858	55,468	7,436	98,762	-
Other services and supplies	1,572	65,529	27,387	94,488	2,543
Depreciation	163,264	141,681	84,554	389,499	222,996
Total operating expenses	<u>1,083,137</u>	<u>1,344,458</u>	<u>807,551</u>	<u>3,235,146</u>	<u>887,617</u>
Operating income (loss)	<u>245,310</u>	<u>(105,229)</u>	<u>(86,110)</u>	<u>53,971</u>	<u>(166,353)</u>
<b>Non-operating revenues (expenses):</b>					
State grants	115,507	-	19,331	134,838	-
Interest income	56,105	137,495	46,884	240,484	51,536
Rental income	-	32,180	-	32,180	-
Interest expense	(4,500)	(12,709)	-	(17,209)	-
Net non-operating revenues	<u>167,112</u>	<u>156,966</u>	<u>66,215</u>	<u>390,293</u>	<u>51,536</u>
Net income (loss)	412,422	51,737	(19,895)	444,264	(114,817)
Net assets, beginning of year, restated	<u>7,787,061</u>	<u>8,059,387</u>	<u>3,091,285</u>	<u>18,937,733</u>	<u>4,671,981</u>
Net assets, end of year	<u>\$ 8,199,483</u>	<u>\$ 8,111,124</u>	<u>\$ 3,071,390</u>	<u>\$ 19,381,997</u>	<u>\$ 4,557,164</u>

The accompanying notes are an integral part of these financial statements.



# CITY OF LUDINGTON

*PROPRIETARY FUNDS*  
**STATEMENT OF CASH FLOWS**  
Year Ended December 31, 2006

	<i>Business-type Activities</i>				<i>Governmental Activities</i>
	<i>Sewer Fund</i>	<i>Water Fund</i>	<i>Marina Fund</i>	<i>Total Enterprise Funds</i>	<i>Internal Service Fund - Motor Pool Fund</i>
<b>Cash flows from operating activities:</b>					
Cash received from customers	\$ 1,278,579	\$ 1,213,210	\$ 722,490	\$ 3,214,279	\$ 113,999
Cash received from interfund services	16,000	-	-	16,000	606,288
Cash payments to employees	(284,380)	(472,853)	(110,383)	(867,616)	(129,301)
Cash payments to suppliers for goods and services	(645,448)	(739,532)	(611,798)	(1,996,778)	(528,938)
Net cash provided by operating activities	<u>364,751</u>	<u>825</u>	<u>309</u>	<u>365,885</u>	<u>62,048</u>
<b>Cash flows from capital and related financing activities:</b>					
State grants	16,285	-	19,331	35,616	-
Acquisition and construction of capital assets	(447,610)	(156,672)	(27,132)	(631,414)	(269,232)
Principal payments	(90,000)	(75,000)	-	(165,000)	-
Interest paid	(4,500)	(12,709)	-	(17,209)	-
Net cash used by capital and related financing activities	<u>(525,825)</u>	<u>(244,381)</u>	<u>(7,801)</u>	<u>(778,007)</u>	<u>(269,232)</u>
<b>Cash flows from investing activities:</b>					
Interest received	56,105	137,495	46,884	240,484	51,536
Rent received	-	32,180	-	32,180	-
Net cash provided by investing activities	<u>56,105</u>	<u>169,675</u>	<u>46,884</u>	<u>272,664</u>	<u>51,536</u>
Net increase (decrease) in cash and cash equivalents	(104,969)	(73,881)	39,392	(139,458)	(155,648)
Cash and cash equivalents, beginning of year	<u>1,299,597</u>	<u>2,834,485</u>	<u>1,015,718</u>	<u>5,149,800</u>	<u>1,301,368</u>
Cash and cash equivalents, end of year	<u>\$ 1,194,628</u>	<u>\$ 2,760,604</u>	<u>\$ 1,055,110</u>	<u>\$ 5,010,342</u>	<u>\$ 1,145,720</u>

continued

*The accompanying notes are an integral part of these financial statements.*

# CITY OF LUDINGTON

## PROPRIETARY FUNDS

### STATEMENT OF CASH FLOWS, CONTINUED

Year Ended December 31, 2006

	<i>Business-type Activities</i>				<i>Governmental Activities</i>
	<i>Sewer Fund</i>	<i>Water Fund</i>	<i>Marina Fund</i>	<i>Total Enterprise Funds</i>	<i>Internal Service Fund - Motor Pool Fund</i>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>					
Operating income (loss)	\$ 245,310	\$ (105,229)	\$ (86,110)	\$ 53,971	\$ (166,353)
Adjustments:					
Depreciation	163,264	141,681	84,554	389,499	222,996
Change in assets and liabilities:					
Accounts receivable	(48,260)	(20,688)	223	(68,725)	-
Accrued interest receivable	(1,608)	(5,331)	(3,056)	(9,995)	(1,301)
Due from other governmental units	-	-	-	-	324
Due from other funds	16,000	-	-	16,000	-
Inventory	(15,509)	(23,767)	(6,621)	(45,897)	(12,995)
Prepaid expenses	6,026	10,789	8,298	25,113	18,369
Accounts payable	(81)	7,925	(7)	7,837	(1,124)
Due to other governmental units	-	-	(312)	(312)	-
Deposits payable	-	350	-	350	-
Deferred revenue	-	-	3,882	3,882	-
Compensated absences payable	(391)	(4,905)	(542)	(5,838)	2,132
Net cash provided by operating activities	<u>\$ 364,751</u>	<u>\$ 825</u>	<u>\$ 309</u>	<u>\$ 365,885</u>	<u>\$ 62,048</u>

The accompanying notes are an integral part of these financial statements.

# CITY OF LUDINGTON

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## *FIDUCIARY FUNDS*

### **STATEMENT OF NET ASSETS**

December 31, 2006

	<i>Police Pension Trust Fund</i>	<i>Agency Fund</i>	<i>Total Fiduciary Funds</i>
<b>Assets:</b>			
Cash and investments	\$ 3,477,488	\$ 4,433,165	\$ 7,910,653
Taxes receivable	232,638	-	232,638
Total assets	<u>3,710,126</u>	<u>4,433,165</u>	<u>8,143,291</u>
<b>Liabilities:</b>			
Accounts payable	-	389,607	389,607
Undistributed tax collections	-	4,043,558	4,043,558
Deferred revenue	<u>232,638</u>	<u>-</u>	<u>232,638</u>
Total liabilities	<u>232,638</u>	<u>4,433,165</u>	<u>4,665,803</u>
<b>Net Assets:</b>			
Held in trust for pension benefits	<u>3,477,488</u>	<u>-</u>	<u>3,477,488</u>
Total net assets	<u>\$ 3,477,488</u>	<u>\$ -</u>	<u>\$ 3,477,488</u>

*The accompanying notes are an integral part of these financial statements.*

# CITY OF LUDINGTON

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## *FIDUCIARY FUNDS*

### **STATEMENT OF CHANGES IN NET ASSETS**

Year Ended December 31, 2006

	<i>Police Pension Trust Fund</i>
<b>Additions:</b>	
Property taxes	\$ 221,142
Employee contributions	39,494
Investment income	<u>269,883</u>
Total additions	<u>530,519</u>
<b>Deductions:</b>	
Benefit payments	<u>386,680</u>
Total deductions	<u>386,680</u>
Net increase	143,839
Net assets, beginning of year	<u>3,333,649</u>
Net assets, end of year	<u><u>\$ 3,477,488</u></u>

*The accompanying notes are an integral part of these financial statements.*

***NOTES TO FINANCIAL STATEMENTS***

# CITY OF LUDINGTON

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## NOTES TO FINANCIAL STATEMENTS

December 31, 2006

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### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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The City of Ludington was incorporated in 1873 under the provisions of the Home Rule Act of the State of Michigan. The City operates a Council-Manager form of government and provides the following services as authorized by its charter: general administrative services, public safety, highway and street maintenance, health, culture, recreation and other governmental functions.

The accounting policies of the City of Ludington conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

#### **Reporting Entity:**

As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the City and its component units. In evaluating the City as a reporting entity, management has addressed all potential component units (traditionally separate reporting entities) for which the City may be financially accountable and, as such, should be included within the City's financial statements. The City (the primary government) is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial burden on the City. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The component units discussed below are included in the City's reporting entity because of their operational or financial relationship with the City.

#### **Blended Component Unit**

***Building Authority*** – The Building Authority is governed by a board that is appointed by the City Council. Although it is legally separate from the City, it is reported as if it were a part of the primary government because its primary purpose is to finance and construct the City's public buildings. The Building Authority is reported as a debt service fund.

#### **Discretely Presented Component Unit**

***Downtown Development Authority*** – The Downtown Development Authority (DDA) is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City. The DDA was created to prevent and correct deterioration, encourage historical preservation, and promote economic growth within the downtown district. The DDA's board is appointed by the City Council. The budgets and expenditures of the Downtown Development Authority must be approved by the City Council. The City also has the ability to significantly influence operations of the Downtown Development Authority.

#### **Joint Ventures**

***Western Mason County Fire District Authority*** – The City participates with the Townships of Hamlin and Pere Marquette. The Authority was established on May 20, 1996 in accordance with state law 1988 P.A. 57 for the purpose of forming a joint fire commission for uniform and orderly control of fire protection, fire department functions (including vehicle purchase and insurance coverage), and financing within the territorial limits of the City of Ludington and the Townships of Hamlin and Pere Marquette. Complete financial statements for the Authority can be obtained from Pere Marquette Township at 1699 South Pere Marquette Highway, Ludington, Michigan.

## NOTES TO FINANCIAL STATEMENTS, CONTINUED

December 31, 2006

### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation:**

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

### ***Government-wide Financial Statements:***

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of net assets and the statement of activities report information on all of the nonfiduciary activities of the primary government and its component units. These statements distinguish between activities that are governmental and those that are business-type activities. Internal service fund activity is eliminated to avoid “doubling up” revenues and expenses.

The statement of net assets presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The City’s net assets are reported in three parts (1) invested in capital assets, net of related debt, (2) restricted net assets, and (3) unrestricted net assets. The City first utilizes restricted resources to finance qualifying activities.

The statement of activities reports both the gross and net cost of each of the City’s functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.). The City does not allocate indirect costs. In creating the government-wide financial statements the City has eliminated interfund transactions.

The government-wide focus is on the sustainability of the City as an entity and the change in the City’s net assets resulting from current year activities.

### ***Fund Financial Statements:***

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

## NOTES TO FINANCIAL STATEMENTS, CONTINUED

December 31, 2006

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. All other revenue items are considered to be measurable and available only when cash is received by the government.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Fiduciary funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Fiduciary funds are accounted for on a spending or economic resources measurement focus and the accrual basis of accounting as are the proprietary funds.

The City reports the following major governmental funds:

The **General Fund** is the primary operating fund of the City. It is used to account for all financial resources, except for those required to be accounted for in another fund.

The City reports the following major enterprise funds:

The **Sewer Fund** is used to account for the revenues and expenses for the operation of a sewer system.

The **Water Fund** is used to account for the revenues and expenses for the operation of a water system.

The **Marina Fund** is used to account for the revenues and expenses for the operation of a marina.

Additionally, the City reports the following fiduciary fund types:

The **Police Pension Trust Fund** accounts for the activities of the City's police retirement system.



# CITY OF LUDINGTON

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## NOTES TO FINANCIAL STATEMENTS, CONTINUED

December 31, 2006

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

### Assets, Liabilities and Equity:

**Deposits and Investments** – Cash includes cash on hand, demand deposits, certificates of deposit and short term investments with a maturity of three months or less when acquired. Investments are stated at fair value. For purposes of the statement of cash flows, the City considers all investments (including restricted assets) to be cash equivalents.

**Interfund Receivables and Payables** – Generally, outstanding amounts owed between funds are classified as “due from/to other funds”. These amounts are caused by transferring revenues and expenses between funds to get them into the proper reporting fund. These balances are paid back as cash flow permits.

**Inventories and Prepaid Items** – Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**Capital Assets** – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation. The City defines capital assets as assets with an initial individual cost in excess of \$1,000. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. Public domain (infrastructure) assets (e.g., roads, bridges, sidewalks and other assets that are immovable and of value only to the government) are capitalized if acquired after January 1, 2004. Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	20-75 years
Furniture and equipment	5-10 years
Infrastructure	25 years
Land improvements	5-50 years
Machinery and equipment	5-25 years
Utility systems and plants	15-99 years

**Compensated Absences** – It is the City’s policy to permit employees to accumulate earned but unused sick and vacation days. A liability is recorded when incurred in the government-wide financial statements and the proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only when they have matured or come due for payment – generally when an individual’s employment has terminated as of year end.

# CITY OF LUDINGTON

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## NOTES TO FINANCIAL STATEMENTS, CONTINUED

December 31, 2006

**Long-term Obligations** – In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets.

**Fund Equity** – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

### **Use of Estimates:**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

### **Eliminations and Reclassifications:**

In the process of aggregating data for the statement of net assets and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the “grossing up” effect on assets and liabilities within the governmental activities column.

### **Property Taxes:**

Property taxes attach as enforceable liens on properties as of December 31. The related property taxes are levied on September 1 and are payable from the date of levy through October 9 and are recognized as revenue the following year. The City bills and collects its own property taxes and also taxes for the county, school district, community college, the Ludington Area Mass Transit Authority, and the intermediate school district. Collections of all the taxes and remittances of them to the other taxing authorities are accounted for in an agency fund.

Revenues for 2006 include property taxes levied in 2005 but appropriated by a City ordinance to finance 2006 operations. Property taxes levied in 2006 for the operations of 2007 are a lien against properties and are an asset of the City. They are recorded as taxes receivable and deferred revenue at December 31, 2006.

In 2005, the City levied property taxes on an assessed property tax value of \$219,978,769. Taxes levied consisted of 11.5675 mills for the City’s operating purposes, 2.7762 mills for refuse services, and 1.0000 mill for police pension.

# CITY OF LUDINGTON

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## NOTES TO FINANCIAL STATEMENTS, CONTINUED

December 31, 2006

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### NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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#### Budgetary Information:

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to November 1 of each year, the City Manager submits to the City Council a proposed operating budget for the year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
2. During the month of November, the City Council holds open meetings to review the budget in detail and to obtain taxpayer comments.
3. At the first Council meeting in December, the budget is legally enacted by adoption of the City Council.
4. Any revision that alters the total expenditures of any fund must be approved by the City.
5. Formal budgetary integration is employed as a management control device during the year for the general fund, the special revenue funds, and debt service funds. Formal budgetary integration is not employed for other funds, but informational summaries are prepared for the enterprise, the internal service and other funds to serve as a management control device and are presented to the City Council for consideration.
6. Governmental fund budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. A comparison of actual results of operations to the General Fund and major Special Revenue Funds budgets as originally adopted and amended by the City Council is included in the required supplemental information.
7. All annual appropriations lapse at fiscal year end.

#### Excess of Expenditures over Appropriations in Budgeted Funds:

During the year, the City did not incur expenditures that were in excess of the amounts budgeted.

#### State Construction Code Act:

The City oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The City charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative surplus generated since January 1, 2000, reported in the General Fund, is as follows:

Cumulative surplus at January 1, 2006	\$ -
Current year building permit revenue	23,147
Related expenses:	
Direct costs	<u>87,764</u>
Cumulative surplus at December 31, 2006	<u>\$ -</u>

# CITY OF LUDINGTON

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## NOTES TO FINANCIAL STATEMENTS, CONTINUED

December 31, 2006

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### NOTE 3: DEPOSITS AND INVESTMENTS

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Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency of instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Police Pension Trust Fund is also authorized by Michigan Public Act 314 of 1965, as amended, to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity contracts, real estate leased to public entities, mortgages, real estate (if the trust funds assets exceed \$250 million), debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles.

The City has designated seven banks for the deposit of its funds. The investment policy adopted by the City Council is in accordance with Public Act 196 of 1997. The City's deposits and investments have been made in accordance with statutory authority.

The City's deposits and investments are subject to several types of risk, which are presented in more detail as follows:

#### **Custodial Credit Risk of Bank Deposits:**

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned. The City does not have a deposit policy for custodial credit risk. At year end, the City had \$11,900,850 of bank deposits (certificates of deposit, checking, and savings accounts), of which \$1,094,133 was covered by federal depository insurance and the remainder was uninsured and uncollateralized. The City believes that due to the dollar amounts of cash deposits, and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with acceptable estimated risk level are used as depositories.

#### **Custodial Credit Risk of Investments:**

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have a policy for custodial risk. At year end, the following investment securities were uninsured and unregistered, with securities held by the counterparty or by its trust department or an agent in the City's name:

<i>Investment</i>	<i>Carrying Value</i>	<i>How Held</i>
U.S. government securities	\$ 1,763,659	Counterparty
Mutual funds - Police Pension Trust	3,211,340	Counterparty

# CITY OF LUDINGTON

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## NOTES TO FINANCIAL STATEMENTS, CONTINUED

December 31, 2006

### Interest Rate Risk:

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The City's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a maximum 270 day maturity. At year end, the average maturities of investments are as follows:

<u>Investment</u>	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
U.S. government securities	\$ 1,763,659	1.7 years

### Credit Risk:

As of year end, the credit quality ratings of debt securities are as follows:

<u>Investment</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Organization</u>
Bond mutual funds - Police Pension Trust	\$ 2,208,763	Not Rated	N/A

### Concentration of Credit Risk:

The City places limits on the amount the City may invest in any one issuer. At December 31, 2006, there were no investments in any one issuer (other than the U.S. government and mutual funds) that exceeded more than 5 percent of total investments.

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## NOTE 4: RESTRICTED ASSETS AND BOND RESERVES

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There are a number of limitations and restrictions contained in the various bond indentures, including requirements to maintain certain restricted assets. The City is in compliance with all significant provisions of the bond indentures.

At December 31, 2006 the City had these accounts established and had restricted cash as follows:

	<u>Restricted Cash and Investments</u>
<b>Sewer Fund:</b>	
Equipment Replacement	\$ 367,004
<b>Water Fund:</b>	
Bond Reserve	100,000
Equipment Replacement	<u>389,013</u>
	<u>\$ 856,017</u>

# CITY OF LUDINGTON

## NOTES TO FINANCIAL STATEMENTS, CONTINUED

December 31, 2006

### NOTE 5: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2006 was as follows:

	<i>January 1, 2006</i>	<i>Additions</i>	<i>Retirements</i>	<i>December 31, 2006</i>
<b>Governmental activities:</b>				
Nondepreciable capital assets:				
Land	\$ 163,580	\$ -	\$ -	\$ 163,580
Depreciable capital assets:				
Buildings and improvements	4,885,183	-	-	4,885,183
Furniture and equipment	171,170	43,227	-	214,397
Infrastructure	480,367	-	-	480,367
Land and site improvements	226,690	237,754	-	464,444
Machinery and equipment	4,100,649	355,379	(77,724)	4,378,304
Total depreciable capital assets	9,864,059	636,360	(77,724)	10,422,695
Accumulated depreciation	(3,293,009)	(380,495)	77,724	(3,595,780)
Depreciable capital assets, net	6,571,050	255,865	-	6,826,915
Governmental activities, capital assets, net	\$ 6,734,630	\$ 255,865	\$ -	\$ 6,990,495
	<i>January 1, 2006</i>	<i>Additions</i>	<i>Retirements</i>	<i>December 31, 2006</i>
<b>Business-type activities:</b>				
Nondepreciable capital assets				
Land	\$ 867,055	\$ -	\$ -	\$ 867,055
Depreciable capital assets				
Buildings and improvements	4,076,142	1,586	-	4,077,728
Land improvements	2,065,280	41,158	-	2,106,438
Machinery and equipment	796,262	45,705	-	841,967
Sewer systems and plants	9,044,449	440,429	-	9,484,878
Water systems and plants	4,941,534	102,536	-	5,044,070
Total depreciable capital assets	20,923,667	631,414	-	21,555,081
Accumulated depreciation	(8,333,315)	(389,499)	-	(8,722,814)
Depreciable capital assets, net	12,590,352	241,915	-	12,832,267
Business-type activities, capital assets, net	\$ 13,457,407	\$ 241,915	\$ -	\$ 13,699,322

# CITY OF LUDINGTON

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## NOTES TO FINANCIAL STATEMENTS, CONTINUED

December 31, 2006

Depreciation expense was charged to functions as follows:

**Governmental activities:**

General government	\$ 76,974
Public safety	78,395
Public works	199,646
Health and welfare	4,618
Community and economic development	820
Recreation and culture	20,042
Total governmental activities	<u>\$ 380,495</u>

**Business-type activities:**

Sewer	\$ 163,264
Water	141,681
Marina	84,554
Total business-type activities	<u>\$ 389,499</u>

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## NOTE 6: DEFERRED CHARGES

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In 2005, the City of Ludington issued general obligation bonds of \$2,135,000 to advance refund \$1,940,000 of general obligation bonds that were issued in 2000. The bond issuance costs in relation to this refunding were recorded as deferred charges on the statement of net assets and are being amortized over the life of the bond based on the amount of interest paid per year as a percentage of total interest.

	<u>January 1, 2006</u>	<u>Amortization Expense</u>	<u>December 31, 2006</u>
Deferred charges	<u>\$ 191,261</u>	<u>\$ 18,801</u>	<u>\$ 172,460</u>

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## NOTE 6: DEFERRED REVENUE

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Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental and proprietary funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current year, the various components of deferred revenue are as follows:

	<u>Unavailable</u>	<u>Unearned</u>
<b>Primary Government:</b>		
Property taxes	\$ -	\$ 3,287,835
Grants	29,699	-
Notes	17,965	-
Special assessments	4,853	-
Other	-	166,674
	<u>\$ 52,517</u>	<u>\$ 3,454,509</u>
<b>Component Unit:</b>		
Property taxes	<u>\$ -</u>	<u>\$ 29,510</u>

# CITY OF LUDINGTON

## NOTES TO FINANCIAL STATEMENTS, CONTINUED

December 31, 2006

### NOTE 7: LONG-TERM LIABILITIES

The City may issue bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the City. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service. Other long-term liabilities include compensated absences.

Long-term liabilities at December 31, 2006 consisted of the following:

<u>Types of Indebtedness</u>	<u>Maturity</u>	<u>Interest Rates</u>	<u>Annual Principal Installments</u>	<u>Original Issue Amount</u>	<u>Outstanding at Year-End</u>
<b><u>Governmental Activities</u></b>					
<b><u>General Obligation Bonds:</u></b>					
2000 Issue - Building Authority Bonds	8/1/04-8/1/10	5.125-5.3%	\$100,000-145,000	\$ 2,700,000	\$ 505,000
2005 Issue - Building Authority Refunding Bonds	8/1/06-8/1/19	3.0-4.0%	20,000-285,000	2,135,000	2,115,000
Contract Financing	1/1/07-1/1/08	0%	19,043	38,085	38,085
<b><u>Business-type Activities</u></b>					
<b><u>Revenue Bonds:</u></b>					
1996 Issue - Sewage Disposal System	1/1/97-1/1/07	4.7-5.0%	75,000-90,000	700,000	-
1998 Issue - Water Supply System	2/1/99-2/1/09	4.25-4.3%	65,000-90,000	700,000	255,000

The following is a summary of long-term liabilities transactions for the year ended December 31, 2006:

	<u>January 1, 2006</u>	<u>Additions</u>	<u>Retirements</u>	<u>December 31, 2006</u>	<u>Due Within One Year</u>
<b>Governmental activities:</b>					
General Obligation Bonds					
2000 Issue	\$ 605,000	\$ -	\$ (100,000)	\$ 505,000	\$ 110,000
2005 Issue	2,135,000	-	(20,000)	2,115,000	20,000
Contract financing	-	38,085	-	38,085	19,042
Compensated absences	79,230	-	1,624	80,854	-
Total governmental activities-long-term liabilities	<u>\$ 2,819,230</u>	<u>\$ 38,085</u>	<u>\$ (118,376)</u>	<u>\$ 2,738,939</u>	<u>\$ 149,042</u>
<b>Business-type activities:</b>					
Revenue Bonds:					
1996 Issue	\$ 90,000	\$ -	\$ (90,000)	\$ -	\$ -
1998 Issue	330,000	-	(75,000)	255,000	80,000
Compensated absences	39,137	-	(5,838)	33,299	-
Total business-type activities-long-term liabilities	<u>\$ 459,137</u>	<u>\$ -</u>	<u>\$ (170,838)</u>	<u>\$ 288,299</u>	<u>\$ 80,000</u>



# CITY OF LUDINGTON

## NOTES TO FINANCIAL STATEMENTS, CONTINUED

December 31, 2006

Annual debt service requirements to maturity for the above bond and contractual obligations are as follows:

<i>Year Ended December 31,</i>	<i>Governmental Activities</i>			<i>Business-type Activities</i>		
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2007	\$ 149,042	\$ 107,563	\$ 256,605	\$ 80,000	\$ 9,246	\$ 89,246
2008	159,043	101,275	260,318	85,000	5,697	90,697
2009	150,000	94,475	244,475	90,000	1,935	91,935
2010	165,000	86,950	251,950	-	-	-
2011	175,000	78,565	253,565	-	-	-
2012-2016	1,060,000	284,500	1,344,500	-	-	-
2017-2019	800,000	64,370	864,370	-	-	-
	<u>\$ 2,658,085</u>	<u>\$ 817,698</u>	<u>\$ 3,475,783</u>	<u>\$ 255,000</u>	<u>\$ 16,878</u>	<u>\$ 271,878</u>

The City has an installment purchase contract payable to West Shore Bank and Fifth Third Bank. The balance owed on these contracts as of December 31, 2006 is \$146,623. These liabilities were incurred for the purchase of a fire truck and equipment for the Western Mason County Fire Authority (a joint venture). The fire truck and equipment, as well as the corresponding liabilities, have been assigned to the Authority and are not included in the financial statements of the City.

## NOTE 9: DISAGGREGATED RECEIVABLE AND PAYABLE BALANCES

Receivables and payables as of year end for the City's governmental and business-type activities in the aggregate are as follows:

	<i>Governmental Activities</i>	<i>Business-type Activities</i>
<b>Receivables:</b>		
Property taxes	\$ 3,287,835	\$ -
Special assessments	4,853	-
Accounts	61,825	613,644
Accrued interest	44,035	62,700
Notes	17,965	-
Intergovernmental	245,544	115,507
Total receivables	<u>\$ 3,662,057</u>	<u>\$ 791,851</u>
<b>Accounts payable and accrued expenses:</b>		
Accounts	\$ 27,533	\$ 13,465
Payroll liabilities	11,158	-
Deposits payable	200	4,650
Accrued interest	44,817	-
Intergovernmental	3,119	235
Total accounts payable and accrued expenses	<u>\$ 86,827</u>	<u>\$ 18,350</u>

# CITY OF LUDINGTON

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## NOTES TO FINANCIAL STATEMENTS, CONTINUED

December 31, 2006

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### NOTE 10: INTERFUND BALANCES AND TRANSFERS

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There were no outstanding interfund receivable and payable balances at December 31, 2006.

The composition of interfund transfers at December 31, 2006 is as follows reported in the fund financial statements:

<i>Funds Transferred From</i>	<i>Funds Transferred To</i>	<i>Amount</i>
General Fund	Nonmajor Governmental Funds	
	Recreation Fund	\$ 43,600
	Local Street Fund	22,800
	Senior Center Fund	42,300
	Building Authority Bond Fund	229,815
	Cartier Park Fishing Piers Project Fund	33,607
	Bryant Road Multi-Use Pathway Fund	19,590
	W. Ludington Avenue Project Fund	25,000
	Bryant Woods Project Fund	7,607
	Site Assessment Fund	<u>5,092</u>
		\$ 429,411
Nonmajor Governmental Funds	Nonmajor Governmental Funds	
Major Street Fund	Local Street Fund	98,300
Major Street Fund	Bryant Road Multi-Use Pathway Fund	16,200
Nonmajor Governmental Funds	General Fund	
Cemetery Perpetual Care Fund		<u>10,647</u>
	Total	<u>\$ 554,558</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the various funds to finance various programs accounted for in other funds in accordance with budgetary authorizations.

## NOTES TO FINANCIAL STATEMENTS, CONTINUED

December 31, 2006

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### NOTE 11: RISK MANAGEMENT

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The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation) and certain medical benefits provided to employees.

The City manages its liability, property, and worker's compensation risk by participating in Michigan Municipal Risk Management Authority, a public entity risk pool providing property, liability, and worker compensation coverage to its participating members. The City pays an annual premium to Michigan Municipal Risk Management Authority for its insurance coverage. The Michigan Municipal Risk Management Authority is self-sustaining through member premiums and provides, subject to certain deductibles, occurrence-based casualty coverage for each incident and occurrence-based property coverage to its members by internally assuring certain risks and reinsuring risks through commercial companies. Various deductibles are maintained to place the responsibility for small charges with the insured. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

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### NOTE 12: EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

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#### **Defined Benefit Pension Plan (Michigan Municipal Employees' Retirement System):**

**Plan Description** – The City contributes to the Michigan Municipal Employees' Retirement System, an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for governmental units in the State of Michigan. The system provides the following provisions: normal retirement, deferred retirement, service retirement allowance, disability retirement allowance, nonduty-connected death and postretirement adjustments to plan members and their beneficiaries.

All full-time employees, except policemen, are eligible to participate in the plan. Benefits vest after 10 years of service. The service requirement is computed using credited service at the time of termination of membership multiplied by the sum of 2.25 percent times the final average compensation (FAC) with a maximum benefit of 80 percent of FAC. The most recent period of which actuarial data was available was for the year ended December 31, 2005.

MERS was organized pursuant to Section 12a of Act #156, Public Acts of 1851 [MSA 5.333(a); MCLA 46.12 (a)], as amended, State of Michigan. MERS is regulated under Act No. 220 of the Public Acts of 1996, as amended, sections of which have been approved by the State Pension Commission. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the MERS at 447 North Canal Street, Lansing, Michigan 48917-9755.

**Funding Policy** – The obligation to contribute to and maintain the system for these employees was established by negotiations with the City Council and personnel policy, which does not require employees to contribute to the plan. The City of Ludington is required to contribute at an actuarially determined rate; the current rate was 17.19 percent of eligible payroll based on the December 31, 2004 valuation.

# CITY OF LUDINGTON

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## NOTES TO FINANCIAL STATEMENTS, CONTINUED

December 31, 2006

**Annual Pension Costs** – For year ended December 31, 2006, the City's annual pension cost of \$346,899 for the plan was equal to the required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2004, using the entry actual age cost method. Significant actuarial assumption used include: (i) an 8% investment rate of return; (ii) projected salary increases of 4.5% per year; and (iii) 2.5% per year cost of living adjustments. All are determined using techniques that smooth the effects of short-term volatility over a four year period. The unfunded actuarial liability is being amortized at a level percent of payroll on a closed basis. The remaining amortization period is 30 years.

Three year trend information as of December 31, follows:

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Annual pension cost	\$ 346,899	\$ 325,705	\$ 332,936
Percentage of APC contributed	100%	100%	100%
Net pension obligation	-	-	-

### City of Ludington Police Retirement System:

**Plan Description** - The City also operates the City of Ludington Police Retirement System; a single-employer retirement plan established under Act 345, PA of 1937 of the State of Michigan. The plan covers all full-time police employees of the City and is funded through an annual tax levy. The plan is a part of the City of Ludington reporting entity and its financial statements are included in the City's Statement of Net Assets for Fiduciary Funds.

Membership in the plan consisted of the following at December 31, 2006:

Retirees and Beneficiaries receiving benefits	15
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>15</u>
Total	<u>30</u>

The City of Ludington Police Retirement System provides retirement benefits as well as death, disability, and health benefits. All benefits vest after 10 years of credited service. Employees who retire after 25 years of credited service are entitled to an annual retirement benefit, payable monthly, in an amount equal to 2.7% of their average compensation for every year of credited service. The average is computed using the three highest compensated years out of last five years of employment. If an employee leaves covered employment or dies before ten years of credited service, accumulated employee contributions plus related investment earnings are refunded to the employee or designated beneficiary.

**Summary of Significant Accounting Policies and Asset Matters** - The financial statements of the City of Ludington Police Retirement System are prepared using the accrual basis of accounting. Employee and employer contributions are recognized as revenues in the period in which employee services are performed.

# CITY OF LUDINGTON

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## NOTES TO FINANCIAL STATEMENTS, CONTINUED

December 31, 2006

**Method Used to Value Investments** - Investments of the plan are reported at fair value based on provided market values. Investment income is recognized as earned. The net appreciation in the fair value of investments is recognized as additions to assets. Gains and losses on the sale of securities are recognized on the transaction date. The plan's cash and investments at December 31, 2006 were as follows:

	<i>Fair Value</i>
Cash and cash equivalents	\$ 266,148
Investments - Mutual funds	<u>3,211,340</u>
	<u>\$ 3,477,488</u>

**Contributions** - The obligation to contribute to the system for the police employees was established by negotiations between the City Council and the police bargaining unit (union contract). The contract requires the employees to contribute to the plan, at a rate of 5% of eligible payroll. The City is required to contribute based on a property tax levy of 1.0000 mills.

For the year ended December 31, 2006, the City made contributions of \$221,142 and the police employees contributed \$39,494.

Three year trend information as of December 31, follows:

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Annual pension cost	\$ 221,142	\$ 213,021	\$ 165,652
Percentage of APC contributed	100%	100%	100%
Net pension obligation	-	-	-

**Health Benefits** - The City provides health insurance benefits as part of its police retirement plan. These benefits are funded by investment income. The plan's health care costs for the year ended December 31, 2006 were \$33,539.

### **Post Employment Benefits:**

According to the police employment contracts, the City provides police persons with partial payment toward the cost of health insurance after they qualify to retire and are retired from City employment. The City pays 50% of the health insurance cost up to a maximum of \$200 per month for those retired after 1993. Those who retired between 1989 through 1993 receive a maximum paid benefit of \$100 per month. Also, for other employees who retire with 20 or more years of service, the City will pay \$75 to \$200 per month. Elected officials who retire with 25 or more years of service will receive a maximum paid benefit of \$250 per month.

The City is using a pay-as-you-go method for financing this benefit. Currently there are 18 participants eligible to receive this benefit. During 2006, the City expended \$33,300 for this benefit in addition to the \$33,539 paid by the police pension plan.

# CITY OF LUDINGTON

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## NOTES TO FINANCIAL STATEMENTS, CONTINUED

December 31, 2006

### Deferred Compensation Plan:

The City offers its employees a deferred compensation plan created in accordance with IRC Section 457. The plan, available to all employees, permits them to defer a portion of their current salary until future years.

The City adopted GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. The City has placed all Deferred Compensation Plan assets with a trustee, relinquishing all fiduciary accountability for the assets. Accordingly, the related assets and liabilities of the plan are not reported in the City's financial statements.

**Upcoming Reporting Change** - The Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year beginning January 1, 2009.

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### NOTE 13: FUND EQUITY

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Specific reservations on fund equity include:

**Reserved for inventory** – This reserve was created to indicate that the portion of fund balance represented by inventory is not available for appropriation.

**Reserved for prepaid expenditures** – This reserve was created to indicate that the portion of fund balance represented by prepaid expenditures is not available for appropriation.

**Reserved for debt service** – This reserve was created to indicate that the portion of fund balance represented by debt service is not available for appropriation.

**Reserved for capital projects** – This reserve was created to indicate that portion of fund balance reserved for capital projects.

**Reserved for nonexpendable cemetery principal** – This reserve was created to indicate that portion of fund balance representing the nonexpendable principal portion required to be retained in perpetuity for cemetery care.

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### NOTE 15: PRIOR PERIOD ADJUSTMENT

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Governmental and business-type activities beginning net assets were restated as follows:

	<i>Government-Wide</i>	
	<i>Governmental Activities</i>	<i>Business-type Activities</i>
Net assets, December 31, 2005, as previously stated	\$ 7,935,004	\$ 18,897,145
Adjustment required to record prepaid expenditures/expenses	67,532	40,588
Net assets, December 31, 2005, restated	<u>\$ 8,002,536</u>	<u>\$ 18,937,733</u>

# CITY OF LUDINGTON

## NOTES TO FINANCIAL STATEMENTS, CONTINUED

December 31, 2006

The governmental funds beginning fund balances were restated as follows:

	<i>General Fund</i>	<i>Major Street Fund</i>	<i>Local Street Fund</i>	<i>Recreation Fund</i>	<i>Senior Center Fund</i>
Fund balance, December 31, 2005, as previously stated	\$ 1,494,154	\$ 198,240	\$ 126,783	\$ 55,308	\$ 11,379
Adjustment required to record prepaid expenditures	<u>52,217</u>	<u>3,105</u>	<u>4,847</u>	<u>344</u>	<u>2,198</u>
Fund balance, December 31, 2005, restated	<u>\$ 1,546,371</u>	<u>\$ 201,345</u>	<u>\$ 131,630</u>	<u>\$ 55,652</u>	<u>\$ 13,577</u>

The proprietary funds beginning net assets were restated as follows:

	<i>Enterprise Funds</i>			<i>Internal Service Fund</i>
	<i>Sewer Fund</i>	<i>Water Fund</i>	<i>Marina Fund</i>	<i>Motor Pool Fund</i>
Net assets, December 31, 2005, as previously stated	\$ 7,775,888	\$ 8,041,276	\$ 3,079,981	\$ 4,667,160
Adjustment required to record prepaid expenses	<u>11,173</u>	<u>18,111</u>	<u>11,304</u>	<u>4,821</u>
Net assets, December 31, 2005, restated	<u>\$ 7,787,061</u>	<u>\$ 8,059,387</u>	<u>\$ 3,091,285</u>	<u>\$ 4,671,981</u>

***REQUIRED SUPPLEMENTAL INFORMATION***



# CITY OF LUDINGTON

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## SCHEDULE OF PENSION PLAN FUNDING PROGRESS

Year Ended December 31, 2006

### Michigan Municipal Employees' Retirement System:

<i>Actuarial Valuation Date</i>	<i>12/31/05</i>	<i>12/31/04</i>	<i>12/31/03</i>
Actuarial Value of Assets	\$ 11,557,680	\$ 11,178,526	\$ 10,756,511
Actuarial Accrued Liability (AAL)	13,810,287	13,268,599	12,710,394
Unfunded AAL (UAAL)	2,252,607	2,090,073	1,953,883
Funded Ratio	84%	84%	85%
Covered Payroll	1,899,244	1,968,116	1,987,341
UAAL as a percentage of covered payroll	119%	106%	98%

### City of Ludington Police Retirement System:

<i>Actuarial Valuation Date</i>	<i>12/31/05</i>	<i>12/31/04</i>	<i>12/31/03</i>
Actuarial Value of Assets	\$ 3,231,942	\$ 3,246,394	\$ 3,390,455
Actuarial Accrued Liability (AAL)	5,060,288	4,999,933	5,004,646
Unfunded AAL (UAAL)	1,828,346	1,753,539	1,614,191
Funded Ratio	64%	65%	68%
Covered Payroll	777,526	735,711	740,795
UAAL as a percentage of covered payroll	235%	238%	218%

# CITY OF LUDINGTON

## GENERAL FUND

### BUDGETARY COMPARISON SCHEDULE

Year Ended December 31, 2006

	<i>Budgeted Amounts</i>			<i>Actual Over (Under)</i>
	<i>Original</i>	<i>Final</i>	<i>Actual</i>	<i>Final Budget</i>
<b>Revenues:</b>				
Property taxes	\$ 3,190,000	\$ 3,234,800	\$ 3,234,976	\$ 176
Licenses and permits	56,900	68,200	68,324	124
Federal grants	17,000	10,400	10,402	2
State grants	839,000	874,700	874,904	204
Contributions from other units	52,600	28,700	28,796	96
Charges for services	394,400	394,000	394,516	516
Fines and forfeits	31,000	38,900	38,938	38
Interest and rents	59,700	127,300	128,231	931
Other revenue	97,400	98,800	93,292	(5,508)
Total revenues	4,738,000	4,875,800	4,872,379	(3,421)
<b>Expenditures:</b>				
Current				
General government	1,198,900	1,187,000	1,185,015	(1,985)
Public safety	1,517,900	1,466,200	1,452,621	(13,579)
Public works	1,082,400	1,089,200	1,088,635	(565)
Community and economic development	90,700	78,800	78,563	(237)
Recreation and culture	353,400	370,000	366,758	(3,242)
Other	58,400	58,400	58,184	(216)
Capital outlay	44,800	125,685	124,751	(934)
Total expenditures	4,346,500	4,375,285	4,354,527	(20,758)
Excess (deficiency) of revenues over expenditures	391,500	500,515	517,852	17,337
<b>Other financing sources (uses):</b>				
Contract financing	-	38,085	38,085	-
Transfers from other funds	5,000	10,000	10,647	647
Transfers to other funds	(396,500)	(429,411)	(429,411)	-
Total other financing sources (uses)	(391,500)	(381,326)	(380,679)	647
Net change in fund balance	-	119,189	137,173	17,984
Fund balance, beginning of year, restated	1,546,371	1,546,371	1,546,371	-
Fund balance, end of year	\$ 1,546,371	\$ 1,665,560	\$ 1,683,544	\$ 17,984

***OTHER SUPPLEMENTAL INFORMATION***

# CITY OF LUDINGTON

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## GENERAL FUND

### DETAILED SCHEDULE OF REVENUES

Year Ended December 31, 2006

#### Revenues:

##### *Current Taxes:*

Property taxes	\$ 3,168,176
Fees, penalties and interest on taxes	56,487
Payment in lieu of taxes	10,313
	<u>3,234,976</u>

##### *Licenses and permits:*

Nonbusiness licenses and permits	23,477
CATV franchise fees	44,847
	<u>68,324</u>

##### *Federal grants:*

Police	<u>10,402</u>
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##### *State Grants:*

Liquor license fees	9,066
State revenue sharing - sales tax	823,580
Donated equipment	42,258
	<u>874,904</u>

##### *Contribution from other units:*

Downtown Development Authority - administrative expense	10,000
Other	18,796
	<u>28,796</u>

##### *Charges for services:*

Recreation fees	45,114
Cemetery fees	33,500
Police services and reports	30,098
Fire runs	15,151
Appeals fees	2,275
Other	10,978
Charges to other funds	257,400
	<u>394,516</u>

##### *Fines and forfeits:*

Parking fines	13,413
Ordinance fines	25,525
	<u>38,938</u>

##### *Interest and rents:*

Interest	126,126
Rents	2,105
	<u>128,231</u>

##### *Other Revenue:*

Special assessments	1,562
Cemetery lots/perpetual care	16,350
Reimbursements	19,779
Sidewalk construction	15,125
Commissions	40,476
	<u>93,292</u>

Total revenues	<u>4,872,379</u>
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# CITY OF LUDINGTON

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## *GENERAL FUND*

### **DETAILED SCHEDULE OF REVENUES, CONTINUED**

Year Ended December 31, 2006

**Other Financing Sources:**

Contract financing	38,085
Transfers from other funds	<u>10,647</u>
Total other financing sources	<u>48,732</u>
Total revenues and other financing sources	<u><u>\$ 4,921,111</u></u>

# CITY OF LUDINGTON

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## GENERAL FUND

### DETAILED SCHEDULE OF EXPENDITURES

Year Ended December 31, 2006

**Expenditures:**

***General Government:***

*Mayor and Council:*

Personnel	\$ 30,000
Fringe benefits	3,246
Supplies	149
Telephone	3,000
Transportation	467
Dues and memberships	125
Conferences and workshops	945
Other	148
	<hr/>
	38,080

*Manager:*

Personnel	123,318
Fringe benefits	63,080
Supplies	1,538
Contracted services	2,507
Telephone	1,575
Transportation	4,200
Dues and memberships	5,307
Conferences and workshops	1,922
Other	603
	<hr/>
	204,050

*Clerk:*

Personnel	135,632
Fringe benefits	69,183
Supplies	11,595
Contracted services	31,883
Telephone	6,071
Transportation	380
Dues and memberships	170
Conferences and workshops	965
Printing and publications	8,134
Other	2,812
	<hr/>
	266,825

*Board of Review:*

Personnel	1,480
Fringe benefits	123
Supplies	8
Transportation	20
Conferences and workshops	65
Printing and publications	541
Other	113
	<hr/>
	2,350

# CITY OF LUDINGTON

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## GENERAL FUND

### DETAILED SCHEDULE OF EXPENDITURES, CONTINUED

Year Ended December 31, 2006

**Expenditures, continued:**

***General Government, continued:***

*Treasurer:*

Personnel	78,031
Fringe benefits	38,605
Supplies	1,321
Contracted services	10,510
Telephone	471
Dues and memberships	155
Printing and publications	254
Other	80
	<hr/>
	129,427

*Assessor:*

Personnel	81,578
Fringe benefits	34,998
Supplies	4,875
Contracted services	14,973
Telephone	456
Transportation	406
Dues and memberships	795
Conferences and workshops	1,147
Equipment rental	2,454
	<hr/>
	141,682

*Elections:*

Personnel	12,774
Fringe benefits	383
Supplies	3,127
Contracted services	300
Printing and publications	665
Other	42
	<hr/>
	17,291

*Hall and Grounds:*

Personnel	51,646
Fringe benefits	27,607
Supplies	9,588
Contracted services	20,241
Telephone	420
Utilities	28,981
Repairs and maintenance	8,886
Equipment rental	15,494
Other	16
	<hr/>
	162,879

*Attorney:*

Contracted services	53,793
	<hr/>

# CITY OF LUDINGTON

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## GENERAL FUND

### DETAILED SCHEDULE OF EXPENDITURES, CONTINUED

Year Ended December 31, 2006

**Expenditures, continued:**

***General Government, continued:***

*Cemetery:*

Personnel	80,914
Fringe benefits	37,422
Supplies	5,680
Contracted services	7,688
Telephone	401
Utilities	6,180
Repairs and maintenance	1,354
Equipment rental	28,938
Other	61
	<u>168,638</u>

Total general government	<u>1,185,015</u>
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***Public Safety:***

*Police:*

Personnel	851,064
Fringe benefits	235,293
Supplies	8,857
Contracted services	12,404
Telephone	6,739
Transportation	638
Conferences and workshops	4,294
Repairs and maintenance	3,720
Equipment rental	92,588
Other	4,558
	<u>1,220,155</u>

*Fire:*

Personnel	72,513
Fringe benefits	14,929
Supplies	8,076
Contracted services	27,428
Telephone	5,740
Transportation	377
Dues and memberships	220
Conferences and workshops	1,239
Utilities	8,659
Repairs and maintenance	3,892
Equipment rental	110
Other	1,519
	<u>144,702</u>



# CITY OF LUDINGTON

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## GENERAL FUND

### DETAILED SCHEDULE OF EXPENDITURES, CONTINUED

Year Ended December 31, 2006

**Expenditures, continued:**

***Public Safety, continued:***

*Building Inspection:*

Personnel	52,413
Fringe benefits	24,952
Contracted services	10,399
	<u>87,764</u>
Total public safety	<u>1,452,621</u>

***Public Works:***

*Department of Public Works:*

Personnel	159,425
Fringe benefits	78,421
Supplies	8,824
Contracted services	14,999
Telephone	643
Printing and publications	140
Repairs and maintenance	3,664
Equipment rental	56,871
Other	393
	<u>323,380</u>

*Sidewalks:*

Contracted services	92,348
Printing and publications	229
	<u>92,577</u>

*Street Lighting:*

Utilities	<u>105,394</u>
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*Refuse:*

Personnel	65,008
Fringe benefits	31,601
Supplies	5,943
Contracted services	357,916
Printing and publications	378
Equipment rental	106,438
	<u>567,284</u>

Total public works	<u>1,088,635</u>
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# CITY OF LUDINGTON

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## GENERAL FUND

### DETAILED SCHEDULE OF EXPENDITURES, CONTINUED

Year Ended December 31, 2006

**Expenditures, continued:**

***Community and Economic Development:***

*Planning:*

Supplies	438
Contracted services	3,012
Transportation	24
Dues and memberships	240
Conferences and workshops	50
Printing and publications	1,940
	<hr/>
	5,704

*Economic and Community Development:*

Personnel	36,817
Fringe benefits	18,181
Supplies	211
Contracted services	4,758
Telephone	155
Transportation	267
Conferences and workshops	386
Printing and publications	76
Other	12,008
	<hr/>
	72,859

Total community and economic development	<hr/>	78,563
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***Recreation and Culture:***

*Parks and Recreation:*

Personnel	95,222
Fringe benefits	42,692
Supplies	6,550
Contracted services	33,785
Conferences and workshops	17
Utilities	28,372
Repairs and maintenance	15,592
Equipment rental	44,103
	<hr/>
	266,333

*Launching Ramps:*

Personnel	33,328
Fringe benefits	8,162
Supplies	5,151
Contracted services	31,326
Telephone	372
Utilities	3,099
Repairs and maintenance	1,589
Equipment rental	17,398
	<hr/>
	100,425

Total recreation and culture	<hr/>	366,758
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# CITY OF LUDINGTON

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## GENERAL FUND

### DETAILED SCHEDULE OF EXPENDITURES, CONTINUED

Year Ended December 31, 2006

**Expenditures, continued:**

***Other:***

Insurance and bonds	<u>58,184</u>
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***Capital Outlay:***

General government	103,534
Public safety	8,353
Public works	5,142
Community and economic development	173
Recreation and culture	<u>7,549</u>
	<u>124,751</u>

Total expenditures	<u>4,354,527</u>
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**Other Financing Uses:**

Transfers to other funds	<u>429,411</u>
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Total other financing uses	<u>429,411</u>
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Total expenditures and other financing uses	<u><u>\$ 4,783,938</u></u>
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# CITY OF LUDINGTON

## NONMAJOR GOVERNMENTAL FUNDS

### COMBINING BALANCE SHEET

December 31, 2006

	<i>Special Revenue Funds</i>					<i>Ludington</i>
	<i>Major Street Fund</i>	<i>Local Street Fund</i>	<i>Recreation Fund</i>	<i>Senior Center Fund</i>	<i>Waterfront Playground Fund</i>	<i>Skate Plaza Fund</i>
<b>Assets:</b>						
Cash and investments	\$ 206,937	\$ 122,066	\$ 75,143	\$ 8,766	\$ 25,506	\$ 53,250
Accounts receivable	170	-	-	2,192	-	-
Notes receivable	-	-	-	-	-	-
Accrued interest receivable	2,626	1,549	952	111	324	676
Due from other governmental units	29,972	12,437	6,000	-	-	-
Inventory	45,050	-	-	-	-	-
Prepaid expenditures	1,587	1,276	1,343	2,757	-	-
Total assets	<u>\$ 286,342</u>	<u>\$ 137,328</u>	<u>\$ 83,438</u>	<u>\$ 13,826</u>	<u>\$ 25,830</u>	<u>\$ 53,926</u>
<b>Liabilities and Fund Balances:</b>						
<b>Liabilities:</b>						
Accounts payable	\$ -	\$ -	\$ -	\$ 266	\$ -	\$ -
Deferred revenue	-	-	2,500	1,500	-	-
Total liabilities	-	-	2,500	1,766	-	-
<b>Fund balances:</b>						
Reserved for:						
Inventory	45,050	-	-	-	-	-
Prepaid expenditures	1,587	1,276	1,343	2,757	-	-
Debt service	-	-	-	-	-	-
Capital projects	-	-	-	-	-	-
Nonexpendable cemetery principal	-	-	-	-	-	-
Unreserved:						
Special revenue funds	<u>239,705</u>	<u>136,052</u>	<u>79,595</u>	<u>9,303</u>	<u>25,830</u>	<u>53,926</u>
Total fund balances	<u>286,342</u>	<u>137,328</u>	<u>80,938</u>	<u>12,060</u>	<u>25,830</u>	<u>53,926</u>
Total liabilities and fund balances	<u>\$ 286,342</u>	<u>\$ 137,328</u>	<u>\$ 83,438</u>	<u>\$ 13,826</u>	<u>\$ 25,830</u>	<u>\$ 53,926</u>

<i>Special Revenue Funds</i>			<i>Debt Service Fund</i>	<i>Capital Projects Funds</i>			
<i>Law Enforcement Training Fund</i>	<i>Waterfront Development Fund</i>	<i>Site Assessment Fund</i>	<i>Building Authority Bond Fund</i>	<i>Cartier Park Fishing Piers Project Fund</i>	<i>W. Ludington Avenue Project Fund</i>	<i>Bryant Woods Project Fund</i>	<i>Subtotal Nonmajor Governmental Funds</i>
\$ 532	\$ 47,583	\$ -	\$ 79	\$ -	\$ 16,087	\$ -	\$ 555,949
-	-	-	-	-	-	-	2,362
-	-	-	-	-	-	-	-
7	604	-	-	-	-	-	6,849
-	-	22,091	-	20,607	6,275	7,607	104,989
-	-	-	-	-	-	-	45,050
-	-	-	-	-	-	-	6,963
<u>\$ 539</u>	<u>\$ 48,187</u>	<u>\$ 22,091</u>	<u>\$ 79</u>	<u>\$ 20,607</u>	<u>\$ 22,362</u>	<u>\$ 7,607</u>	<u>\$ 722,162</u>
\$ -	\$ -	\$ 16,999	\$ -	\$ -	\$ 2,547	\$ -	\$ 19,812
-	-	5,092	-	20,607	-	-	29,699
-	-	22,091	-	20,607	2,547	-	49,511
-	-	-	-	-	-	-	45,050
-	-	-	-	-	-	-	6,963
-	-	-	79	-	-	-	79
-	-	-	-	-	19,815	7,607	27,422
-	-	-	-	-	-	-	-
539	48,187	-	-	-	-	-	593,137
539	48,187	-	79	-	19,815	7,607	672,651
<u>\$ 539</u>	<u>\$ 48,187</u>	<u>\$ 22,091</u>	<u>\$ 79</u>	<u>\$ 20,607</u>	<u>\$ 22,362</u>	<u>\$ 7,607</u>	<u>\$ 722,162</u>

continued

# CITY OF LUDINGTON

## NONMAJOR GOVERNMENTAL FUNDS

### COMBINING BALANCE SHEET, CONTINUED

December 31, 2006

	<u>Capital Projects Funds</u>		<u>Permanent Fund</u>	
	<u>1984</u>		<u>Cemetery</u>	<u>Total</u>
	<u>Building</u>	<u>Watchcase</u>	<u>Perpetual</u>	<u>Nonmajor</u>
	<u>Rehab</u>	<u>Contamination</u>	<u>Care</u>	<u>Governmental</u>
	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Funds</u>
<b>Assets:</b>				
Cash and investments	\$ 35,055	\$ 161,565	\$ 239,640	\$ 992,209
Accounts receivable	-	-	-	2,362
Notes receivable	17,965	-	-	17,965
Accrued interest receivable	-	-	3,049	9,898
Due from other governmental units	-	-	-	104,989
Inventory	-	-	-	45,050
Prepaid expenditures	-	-	-	6,963
Total assets	<u>\$ 53,020</u>	<u>\$ 161,565</u>	<u>\$ 242,689</u>	<u>\$ 1,179,436</u>
<b>Liabilities and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ 19,812
Deferred revenue	17,965	-	-	47,664
Total liabilities	<u>17,965</u>	<u>-</u>	<u>-</u>	<u>67,476</u>
<b>Fund balances:</b>				
Reserved for:				
Inventory	-	-	-	45,050
Prepaid expenditures	-	-	-	6,963
Debt service	-	-	-	79
Capital projects	35,055	161,565	-	224,042
Nonexpendable cemetery principal	-	-	242,689	242,689
Unreserved:				
Special revenue funds	-	-	-	593,137
Total fund balances	<u>35,055</u>	<u>161,565</u>	<u>242,689</u>	<u>1,111,960</u>
Total liabilities and fund balances	<u>\$ 53,020</u>	<u>\$ 161,565</u>	<u>\$ 242,689</u>	<u>\$ 1,179,436</u>

# CITY OF LUDINGTON

## NONMAJOR GOVERNMENTAL FUNDS

### COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended December 31, 2006

	<i>Special Revenue Funds</i>					
	<i>Major Street Fund</i>	<i>Local Street Fund</i>	<i>Recreation Fund</i>	<i>Senior Center Fund</i>	<i>Waterfront Playground Fund</i>	<i>Movies in the Park Fund</i>
<b>Revenues:</b>						
Federal grants	\$ -	\$ -	\$ -	\$ 5,607	\$ -	\$ -
State grants	463,635	186,471	-	5,155	-	-
Contributions from other units	-	-	43,869	57,700	-	1,300
Charges for services	-	-	43,862	2,745	-	-
Interest and rents	7,989	5,404	4,111	1,165	1,117	21
Other revenue	458	-	13,340	11,304	219	282
Total revenues	<u>472,082</u>	<u>191,875</u>	<u>105,182</u>	<u>83,676</u>	<u>1,336</u>	<u>1,603</u>
<b>Expenditures:</b>						
Current						
Public safety	-	-	-	-	-	-
Public works	272,585	307,277	-	-	-	-
Health and welfare	-	-	-	124,140	-	-
Community and economic development	-	-	-	-	-	-
Recreation and culture	-	-	121,660	-	35	1,864
Capital outlay	-	-	1,836	3,353	-	-
Debt service						
Principal	-	-	-	-	-	-
Interest and fees	-	-	-	-	-	-
Total expenditures	<u>272,585</u>	<u>307,277</u>	<u>123,496</u>	<u>127,493</u>	<u>35</u>	<u>1,864</u>
Excess (deficiency) of revenues over expenditures	<u>199,497</u>	<u>(115,402)</u>	<u>(18,314)</u>	<u>(43,817)</u>	<u>1,301</u>	<u>(261)</u>
<b>Other financing sources (uses):</b>						
Transfers in	-	121,100	43,600	42,300	-	-
Transfers out	<u>(114,500)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(114,500)</u>	<u>121,100</u>	<u>43,600</u>	<u>42,300</u>	<u>-</u>	<u>-</u>
Net change in fund balance	84,997	5,698	25,286	(1,517)	1,301	(261)
Fund balances, beginning of year, restated	<u>201,345</u>	<u>131,630</u>	<u>55,652</u>	<u>13,577</u>	<u>24,529</u>	<u>261</u>
Fund balances, end of year	<u>\$286,342</u>	<u>\$137,328</u>	<u>\$ 80,938</u>	<u>\$ 12,060</u>	<u>\$ 25,830</u>	<u>\$ -</u>

<i>Special Revenue Funds</i>				<i>Debt Service Fund</i>	<i>Capital Projects Funds</i>		
<i>Ludington Skate Plaza Fund</i>	<i>Law Enforcement Training Fund</i>	<i>Waterfront Development Fund</i>	<i>Site Assessment Fund</i>	<i>Building Authority Bond Fund</i>	<i>Cartier Park Fishing Piers Project Fund</i>	<i>Bryant Road Multi-Use Pathway Fund</i>	<i>Subtotal Nonmajor Governmental Funds</i>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,607
-	3,566	-	68,876	-	74,250	69,208	871,161
-	-	-	-	-	-	-	102,869
-	-	-	-	-	-	-	46,607
1,608	-	2,598	158	100	367	-	24,638
53,870	-	-	-	-	1,000	-	80,473
55,478	3,566	2,598	69,034	100	75,617	69,208	1,131,355
-	3,740	-	-	-	-	-	3,740
-	-	-	-	-	-	-	579,862
-	-	-	-	-	-	-	124,140
-	-	-	74,126	-	-	-	74,126
1,552	-	438	-	-	6,425	-	131,974
-	-	-	-	-	112,696	104,998	222,883
-	-	-	-	120,000	-	-	120,000
-	-	-	-	113,576	-	-	113,576
1,552	3,740	438	74,126	233,576	119,121	104,998	1,370,301
53,926	(174)	2,160	(5,092)	(233,476)	(43,504)	(35,790)	(238,946)
-	-	-	5,092	229,815	33,607	35,790	511,304
-	-	-	-	-	-	-	(114,500)
-	-	-	5,092	229,815	33,607	35,790	396,804
53,926	(174)	2,160	-	(3,661)	(9,897)	-	157,858
-	713	46,027	-	3,740	9,897	-	487,371
\$ 53,926	\$ 539	\$ 48,187	\$ -	\$ 79	\$ -	\$ -	\$ 645,229

continued



# CITY OF LUDINGTON

## NONMAJOR GOVERNMENTAL FUNDS

### COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES, CONTINUED

Year Ended December 31, 2006

	<i>Capital Projects Funds</i>				<i>Permanent Fund</i>	
	<i>W. Ludington Avenue Project Fund</i>	<i>Bryant Woods Project Fund</i>	<i>1984 Building Rehab Fund</i>	<i>Watchcase Contamination Fund</i>	<i>Cemetery Perpetual Care Fund</i>	<i>Total Nonmajor Governmental Funds</i>
<b>Revenues:</b>						
Federal grants	\$ -	\$ -	\$ 8,609	\$ -	\$ -	\$ 14,216
State grants	14,875	9,593	-	-	-	895,629
Contributions from other units	-	-	-	-	-	102,869
Charges for services	-	-	-	-	-	46,607
Interest and rents	-	-	281	-	10,647	35,566
Other revenue	-	-	1,044	-	1,995	83,512
Total revenues	<u>14,875</u>	<u>9,593</u>	<u>9,934</u>	<u>-</u>	<u>12,642</u>	<u>1,178,399</u>
<b>Expenditures:</b>						
Current						
Public safety	-	-	-	-	-	3,740
Public works	-	-	-	-	-	579,862
Health and welfare	-	-	-	-	-	124,140
Community and economic development	-	9,593	11,400	13,067	-	108,186
Recreation and culture	-	-	-	-	-	131,974
Capital outlay	20,060	-	-	-	-	242,943
Debt service						
Principal	-	-	-	-	-	120,000
Interest and fees	-	-	-	-	-	113,576
Total expenditures	<u>20,060</u>	<u>9,593</u>	<u>11,400</u>	<u>13,067</u>	<u>-</u>	<u>1,424,421</u>
Excess (deficiency) of revenues over expenditures	<u>(5,185)</u>	<u>-</u>	<u>(1,466)</u>	<u>(13,067)</u>	<u>12,642</u>	<u>(246,022)</u>
<b>Other financing sources (uses):</b>						
Transfers in	25,000	7,607	-	-	-	543,911
Transfers out	-	-	-	-	(10,647)	(125,147)
Total other financing sources (uses)	<u>25,000</u>	<u>7,607</u>	<u>-</u>	<u>-</u>	<u>(10,647)</u>	<u>418,764</u>
Net change in fund balance	19,815	7,607	(1,466)	(13,067)	1,995	172,742
Fund balances, beginning of year, restated	<u>-</u>	<u>-</u>	<u>36,521</u>	<u>174,632</u>	<u>240,694</u>	<u>939,218</u>
Fund balances, end of year	<u>\$ 19,815</u>	<u>\$ 7,607</u>	<u>\$ 35,055</u>	<u>\$ 161,565</u>	<u>\$ 242,689</u>	<u>\$ 1,111,960</u>

# CITY OF LUDINGTON

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## COMPONENT UNIT – DOWNTOWN DEVELOPMENT AUTHORITY

### BALANCE SHEET

December 31, 2006

**Assets:**

Cash and investments	\$ 34,337
Taxes receivable	29,510
Accrued interest receivable	<u>231</u>
Total assets	<u><u>\$ 64,078</u></u>

**Liabilities and Fund Balances:**

***Liabilities:***

Deferred revenue	<u>\$ 29,510</u>
Total liabilities	<u>29,510</u>

***Fund balances:***

Unreserved	<u>34,568</u>
Total fund balance	<u>34,568</u>
Total liabilities and fund balance	<u><u>\$ 64,078</u></u>

# CITY OF LUDINGTON

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## *COMPONENT UNIT – DOWNTOWN DEVELOPMENT AUTHORITY*

### **STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**

Year Ended December 31, 2006

**Revenues:**

Property taxes	\$ 26,477
Interest and rents	1,860
Other revenue	<u>7,168</u>
Total revenues	<u>35,505</u>

**Expenditures:**

Current	
Community and economic development	<u>32,246</u>
Total expenditures	<u>32,246</u>
Net change in fund balance	3,259
Fund balance, beginning of year	<u>31,309</u>
Fund balance, end of year	<u><u>\$ 34,568</u></u>

# CITY OF LUDINGTON

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## FIDUCIARY FUNDS – AGENCY FUNDS

### COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

Year Ended December 31, 2006

	<i>January 1, 2006</i>	<i>Additions</i>	<i>Deductions</i>	<i>December 31, 2006</i>
<i><u>Bryant Road Property Fund</u></i>				
<b>Assets:</b>				
Cash and cash equivalents	<u>\$ 524,638</u>	<u>\$ 12,969</u>	<u>\$ 150,000</u>	<u>\$ 387,607</u>
<b>Liabilities:</b>				
Accounts payable	<u>\$ 524,638</u>	<u>\$ 12,969</u>	<u>\$ 150,000</u>	<u>\$ 387,607</u>
<i><u>Tax Collection Fund</u></i>				
<b>Assets:</b>				
Cash and cash equivalents	<u>\$ 4,000,266</u>	<u>\$ 10,273,177</u>	<u>\$ 10,229,885</u>	<u>\$ 4,043,558</u>
<b>Liabilities:</b>				
Undistributed tax collections	<u>\$ 4,000,266</u>	<u>\$ 10,273,177</u>	<u>\$ 10,229,885</u>	<u>\$ 4,043,558</u>
<i><u>Transportation Fund</u></i>				
<b>Assets:</b>				
Cash and cash equivalents	<u>\$ 2,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,000</u>
<b>Liabilities:</b>				
Accounts payable	<u>\$ 2,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,000</u>
<i><u>Total Agency Funds</u></i>				
<b>Assets:</b>				
Cash and cash equivalents	<u>\$ 4,526,904</u>	<u>\$ 10,286,146</u>	<u>\$ 10,379,885</u>	<u>\$ 4,433,165</u>
<b>Liabilities:</b>				
Accounts payable	<u>\$ 526,638</u>	<u>\$ 12,969</u>	<u>\$ 150,000</u>	<u>\$ 389,607</u>
Undistributed tax collections	<u>4,000,266</u>	<u>10,273,177</u>	<u>10,229,885</u>	<u>4,043,558</u>
	<u>\$ 4,526,904</u>	<u>\$ 10,286,146</u>	<u>\$ 10,379,885</u>	<u>\$ 4,433,165</u>

# CITY OF LUDINGTON

## GOVERNMENTAL ACTIVITIES

### SCHEDULE OF INDEBTEDNESS

December 31, 2006

#### BUILDING AUTHORITY BONDS, SERIES 2000

Issue in the amount of	\$ 2,700,000
Less: Principal paid in prior years	(2,095,000)
Principal paid in current year	<u>(100,000)</u>
Balance payable at December 31, 2006	<u>\$ 505,000</u>

Balance payable as follows:

<i>Year Ended</i>	<i>Interest Rate</i>	<i>Interest due February 1</i>	<i>Interest due August 1</i>	<i>Principal due August 1</i>	<i>Total Annual Requirement</i>
2007	5.125%	\$ 13,149	\$ 13,149	\$ 110,000	\$ 136,298
2008	5.125%	10,330	10,330	120,000	140,660
2009	5.250%	7,255	7,255	130,000	144,510
2010	5.300%	<u>3,843</u>	<u>3,842</u>	<u>145,000</u>	<u>152,685</u>
		<u>\$ 34,577</u>	<u>\$ 34,576</u>	<u>\$ 505,000</u>	<u>\$ 574,153</u>

#### 2005 BUILDING AUTHORITY REFUNDING BONDS

Issue in the amount of	\$ 2,135,000
Less: Principal paid in prior years	-
Principal paid in current year	<u>(20,000)</u>
Balance payable at December 31, 2006	<u>\$ 2,115,000</u>

Balance payable as follows:

<i>Fiscal Year Ended</i>	<i>Interest Rate</i>	<i>Interest due February 1</i>	<i>Interest due August 1</i>	<i>Principal due August 1</i>	<i>Total Annual Requirement</i>
2007	3.25%	\$ 40,632	\$ 40,633	\$ 20,000	\$ 101,265
2008	3.25%	40,308	40,307	20,000	100,615
2009	3.50%	39,982	39,983	20,000	99,965
2010	3.50%	39,633	39,632	20,000	99,265
2011	3.50%	39,282	39,283	175,000	253,565
2012	3.75%	36,220	36,220	190,000	262,440
2013	4.00%	32,658	32,657	195,000	260,315
2014	4.00%	28,757	28,758	210,000	267,515
2015	4.00%	24,558	24,557	225,000	274,115
2016	3.70%	20,057	20,058	240,000	280,115
2017	3.80%	15,618	15,617	250,000	281,235
2018	3.90%	10,867	10,868	265,000	286,735
2019	4.00%	<u>5,700</u>	<u>5,700</u>	<u>285,000</u>	<u>296,400</u>
		<u>\$ 374,272</u>	<u>\$ 374,273</u>	<u>\$ 2,115,000</u>	<u>\$ 2,863,545</u>

# CITY OF LUDINGTON

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## *BUSINESS-TYPE ACTIVITIES*

### **SCHEDULE OF INDEBTEDNESS**

December 31, 2006

#### **1996 SEWAGE DISPOSAL SYSTEM REVENUE BONDS**

Issue in the amount of	\$	700,000
Less:		
Principal paid in prior years		(610,000)
Principal paid in current year		<u>(90,000)</u>
Balance payable at December 31, 2006	\$	<u><u>-</u></u>

#### **1998 WATER SUPPLY SYSTEM REVENUE BONDS**

Issue in the amount of	\$	700,000
Less:		
Principal paid in prior years		(370,000)
Principal paid in current year		<u>(75,000)</u>
Balance payable at December 31, 2006	\$	<u><u>255,000</u></u>

Balance payable as follows:

<i>Fiscal</i> <i>Year Ended</i>	<i>Interest</i> <i>Rate</i>	<i>Principal due</i> <i>February 1</i>	<i>Interest due</i> <i>February 1</i>	<i>Interest due</i> <i>August 1</i>	<i>Total</i> <i>Annual</i> <i>Requirement</i>
2007	4.300%	\$ 80,000	\$ 5,483	\$ 3,763	\$ 89,246
2008	4.300%	85,000	3,762	1,935	90,697
2009	4.300%	<u>90,000</u>	<u>1,935</u>	<u>-</u>	<u>91,935</u>
		<u>\$ 255,000</u>	<u>\$ 11,180</u>	<u>\$ 5,698</u>	<u>\$ 271,878</u>